

# An overview of the UK Accounting Framework and of the overarching differences between IFRS 19 and FRS 101

## Introduction

### Background

1. [FRS 101 Reduced Disclosure Framework](#) is a Standard developed and maintained by the Financial Reporting Council (FRC). First issued in 2012, it sets out an optional reduced disclosure framework for qualifying entities in the UK, that otherwise apply the requirements of adopted IFRS.
2. In May 2024, the IASB issued [IFRS 19 Subsidiaries without Public Accountability: Disclosures](#). This voluntary Standard is part of IFRS Accounting Standards. It permits an eligible subsidiary to apply the recognition, measurement and presentation requirements in IFRS Accounting Standards, along with a reduced set of disclosure requirements. The Standard will be effective for annual reporting periods beginning on or after 1 January 2027, with earlier application permitted.
3. Both standards have similar objectives, i.e. enabling more cost-effective and streamlined reporting within groups, but there are significant differences in their application i.e. their scopes are different.

### Purpose

4. The main purpose of this document is to highlight the overarching differences between IFRS 19 and FRS 101. It is also intended to help stakeholders understand how the two reduced disclosure standards fit into the UK financial reporting framework.
5. Overall, there are many differences between the specific reductions in disclosure requirements in IFRS 19 and the exemptions offered by FRS 101. For example:
  - a) IFRS 19 requires a statement of cash flows; FRS 101 financial statements do not require the preparation of a statement of cash flows.

- b) IFRS 19 requires reduced disclosures for IFRS 7 *Financial Instruments: Disclosures* and IFRS 13 *Fair Value Measurement*; FRS 101 provides disclosure exemptions from IFRS 7 and 13, for entities other than financial institutions, provided that equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated.
- c) IFRS 19 requires **most** of the disclosures for IAS 24 *Related Party Disclosures*; FRS 101 exempts qualifying entities from the requirements in IAS 24 to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

## UK Accounting Frameworks

### Background

6. [Section 395](#) of the Companies Act 2006 (the Act) defines the accounting frameworks to be used when an individual company produces its accounts. It permits the use of two accounting frameworks for the preparation of accounts by a company:
- UK-adopted International Accounting Standards (IAS individual accounts); or
  - the framework set out in the Companies Act (Companies Act individual accounts).
7. UK registered companies (except for charities) may choose to use either of these two frameworks when preparing their individual accounts. A similar provision for group accounts is included in [section 403 of the Act](#).
8. The table below compares how IFRS 19 and FRS 101 fit into the UK financial reporting framework:

Table 1: IFRS 19 and FRS 101 within the UK financial reporting framework	
IFRS 19	FRS 101
If the UKEB endorses IFRS 19 for use in the UK, it would become part of UK-adopted international accounting standards. Accordingly, eligible subsidiaries electing to use IFRS 19 would be preparing IAS accounts. Information about the UKEB	Financial statements prepared by a qualifying entity in accordance with FRS 101 are Companies Act individual accounts. Therefore, those accounts must comply with the applicable provisions of Part 15 <a href="#">Accounts and reports</a> of the Companies Act 2006 and

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IFRS 19	FRS 101
<p>endorsement project for IFRS 19 can be accessed <a href="#">here</a>.</p> <p>A company that currently applies UK GAAP and wishes to use IFRS 19 would be deemed to have transferred from the Companies Act accounting framework to the IAS accounting framework. If such companies wish to revert to UK GAAP in a subsequent reporting period, they will need to ensure that they comply with the Companies Act 2006 provisions in relation to changes in accounting frameworks.</p>	<p>with <i>The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008</i> (SI 2008/410) (the Regulations)<sup>1</sup>.</p>

## UK company law requirements applicable to Companies Act accounts

9. *The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008* ([SI 2008/410](#)) sets out a number of requirements applicable to Companies Act accounts prepared in accordance with FRS 101.
10. In order to achieve compliance with the Regulation, FRS 101 has made a number of amendments to adopted IFRS<sup>2</sup>. For example:
  - a) A qualifying entity can choose to adapt the balance sheet and profit and loss account formats in Schedule 1 to the Regulations. Under FRS 101, IFRS 18 *Presentation and Disclosure in Financial Statements*<sup>3</sup> is amended to enable compatibility with the Regulations [Section B The Required Formats for Accounts](#).
  - b) Schedule 6 paragraph 9(6) of the Regulation permits negative goodwill to be transferred to the profit and loss account in accordance with certain principles and rules. Under FRS 101, IFRS 3 *Business Combinations*<sup>4</sup> is

<sup>1</sup> All references in this document to The Regulations are to the provisions of Schedule 1 of the Regulations—Companies Act individual accounts: companies which are not banking or insurance companies which can be accessed here: <https://www.legislation.gov.uk/ukSI/2008/410/schedule/1>.

<sup>2</sup> Refer to the Application Guidance *Amendments to adopted IFRS for compliance with the Act and the Regulations* of FRS 101 for the complete list of amendments.

<sup>3</sup> The Amendments to FRS 101 (2024/25 cycle) contain changes to FRS 101 to reflect the application of IFRS 18 *Presentation and Disclosure in Financial Statements*.

<sup>4</sup> [FRS 101 Reduced Disclosure Framework Application Guidance paragraph AG1\(c\)](#).

amended to require negative goodwill to be separately disclosed on the face of the statement of financial position on the acquisition date, immediately below goodwill, to be released to profit or loss over time.

- c) Paragraph 22 of Schedule 1 to the Regulations requires acquired goodwill to be written off over its useful economic life. Under IFRS 3, goodwill is not amortised. FRS 101<sup>5</sup> has not amended IFRS 3. Therefore, the non-amortisation of goodwill will usually be a departure from the Regulations, for the overriding purpose of giving a true and fair view. Additional disclosures are required giving the 'particulars of the departure, the reasons for it and its effect'.
11. In contrast, if adopted in the UK, IFRS 19 would be part of the IAS accounting framework. The requirements set out in the Regulations are not relevant to companies using that framework.
12. Consequently, an eligible subsidiary choosing to use IFRS 19 would apply the recognition, measurement and presentation requirements in IFRS Accounting Standards. Therefore, these amendments to adopted IFRS under FRS 101 would not be relevant to an eligible subsidiary applying IFRS 19.

## Overarching differences between IFRS 19 and FRS 101

The table below highlights the overarching differences between the two standards:

Table 2: Overarching differences		
Topic	IFRS 19	FRS 101
<b>Accounting framework<sup>6</sup></b>	Financial statements prepared by an eligible subsidiary in accordance with IFRS 19 are IAS accounts.	Financial statements prepared by a qualifying entity in accordance with FRS 101 are Companies Act individual accounts.

<sup>5</sup> [FRS 101 Appendix II Note on legal requirements paragraph A2.8.](#)

<sup>6</sup> See Table 1 for further details on UK financial reporting framework.

**Table 2: Overarching differences**

Topic	IFRS 19	FRS 101
<b>Scope</b>	IFRS 19 is restricted to subsidiaries that do not have public accountability.	FRS 101 is not restricted to entities that do not have public accountability. FRS 101 may be applied to the individual financial statements of a qualifying entity. <sup>7</sup>
	IFRS 19 can also be used in consolidated financial statements prepared by an intermediate parent, because it would also be a subsidiary.	FRS 101 is only available for use in individual financial statements.
	IFRS 19 can only be applied by eligible subsidiaries i.e. it is not available to ultimate parents.	FRS 101 is available for use in the individual financial statements of ultimate parent companies, as well as subsidiaries.
<b>Eligibility criteria</b>	IFRS 19 requires that the consolidated financial statements in which the entity is included are prepared in accordance with IFRS Accounting Standards and are available for public use.	FRS 101 does not require the group accounts into which the entity has been consolidated to be prepared under IFRS – only that they are intended to give a true and fair view. It can therefore be adopted by entities which are consolidated into financial statements prepared under

<sup>7</sup> For the purposes of FRS 101, qualifying entity is defined as a member of a group where the parent of that group prepares publicly available consolidated financial statements which are intended to give a true and fair view (of the assets, liabilities, financial position and profit or loss) and that member is included in the consolidation. The following are not qualifying entities:

- (a) charities;
- (b) entities that are both required to apply Schedule 3 to the Regulations and have contracts that are within the scope of IFRS 17 *Insurance Contracts*; and
- (c) entities that are not companies but are both required to apply requirements similar to those in Schedule 3 to the Regulations and have contracts that are within the scope of IFRS 17.

**Table 2: Overarching differences**

Topic	IFRS 19	FRS 101
		frameworks equivalent to IFRS, such as US GAAP <sup>8</sup> .
<b>Approach</b>	IFRS 19 adopted a 'bottom-up approach' setting out reduced disclosure requirements that are required.	FRS 101 adopted a 'top-down approach' by providing exemptions from specific disclosure requirements of adopted IFRS.
<b>Principles for reducing disclosures</b>	<p>Disclosure requirements in IFRS Accounting Standards satisfying the following principles<sup>9</sup> are required by IFRS 19:</p> <ul style="list-style-type: none"> <li>• Liquidity and solvency: an entity's ability to generate cash flows and continue as a going concern.</li> <li>• Short-term cash flows, obligations, commitments and contingencies: an entity's ability to meet its obligations.</li> <li>• Measurement uncertainty: significant judgements and estimates used by management.</li> <li>• Disaggregation of amounts: separation of amounts presented in the financial statements.</li> <li>• Accounting policy choices: accounting policies applied by an entity.</li> </ul>	<p>The following principles<sup>10</sup> for determining the disclosure requirements in adopted IFRS which should be required for qualifying entities are applied:</p> <ul style="list-style-type: none"> <li>• Relevance: Does the disclosure requirement provide information that is capable of making a difference to the decisions made by the users of the financial statements of a qualifying entity?</li> <li>• Cost constraint on useful financial reporting: Does the disclosure requirement impose costs on the preparers of the financial statements of a qualifying entity that are not justified by the benefits to the users of those financial statements?</li> <li>• Avoid gold plating: Does the disclosure requirement override an existing</li> </ul>

<sup>8</sup> See paragraph AG9 of [FRS 100 Application of Financial Reporting Requirements](#) for the full list of Generally Accepted Accounting Principles (GAAP) which the UK government has recognised as equivalent to UK-adopted international accounting standards.

<sup>9</sup> IFRS 19 Basis for Conclusions, paragraph BC3.

<sup>10</sup> FRS 101 Basis for Conclusions, paragraph 7.

Table 2: Overarching differences

Topic	IFRS 19	FRS 101
		exemption provided by company law?
<b>Preparation of statement of cash flows</b>	Requires the presentation of a statement of cash flows.	No requirement to produce a statement of cash flows.
<b>Disclosure objectives</b>	IFRS 19 excludes all disclosure objectives because including such objectives in IFRS 19 might result in the perception that entities are required to provide the same disclosures they would otherwise have provided had they not applied IFRS 19.	No automatic exemption from disclosure objectives although FRS 101 does provide some exemptions from the disclosure objectives of IFRS—in particular those in IFRS 7 <i>Financial Instruments: Disclosures</i> and IFRS 13 <i>Fair Value Measurement</i> , as long as equivalent disclosures are present in the consolidated financial statements in which the entity is included. FRS 101 also removes part of the disclosure objectives of IFRS 15 <i>Revenue from Contracts with Customers</i> and IFRS 16 <i>Leases</i> , but unconditionally.
<b>Exemptions if equivalent disclosures made in group accounts</b>	No 'equivalent disclosures' condition for exemption from disclosure requirements mainly because the financial statements of subsidiaries should be 'stand-alone' i.e. they must provide users with all the information they need without those users having to consult the parent's consolidated financial statements.	Certain disclosure exemptions are available in some areas, subject to the condition that equivalent disclosures are included in the consolidated financial statements of the group in which the entity is consolidated, for example, in relation to share-based payments (IFRS 2), acquisitions (IFRS 3), impairment (IAS 36), certain disclosures in respect of <i>International Tax Reform – Pillar Two Model Rules</i> (IAS 12).

**Table 2: Overarching differences**

Topic	IFRS 19	FRS 101
<b>Disclosure of exemptions taken</b>	Not applicable.	A qualifying entity taking advantage of FRS 101 must include in the notes to its financial statements a brief narrative summary of the disclosure exemptions taken.
<b>Compliance statement</b>	An eligible subsidiary applying IFRS 19 asserts compliance with IFRS Accounting Standards, including the Standard.	A qualifying entity taking advantage of FRS 101 should include a statement stating: "These financial statements were prepared in accordance with Financial Reporting Standard 101 <i>Reduced Disclosure Framework</i> ."

# Disclosure requirements under UK company law applicable to the preparation of accounts

The Companies Act<sup>11</sup> and *The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008* (SI 2008/410)<sup>12</sup> (Schedule 4) require certain information to be given in the notes to the accounts when preparing **both** Companies Act accounts and IAS accounts. Therefore, a subsidiary electing to apply IFRS 19 would be required to provide the following information, even if it is not required by IFRS 19.

Table 3: Company law disclosure requirements			
Sections	Information to be given in notes to the accounts	Is the information in excess of what is required by IFRS 19?	
<a href="#">CA 2006 s396 and s397</a>	Certain company administrative facts:	✓	
	• part of the UK in which registered, registered number		
	• whether public or private	✗	IFRS 19 paragraph 141(a) requires disclosures of domicile, legal form, country of incorporation and registered address
	• limited by shares or by guarantee,	✗	
• the address of the registered office	✗		
<a href="#">CA 2006 s396 and s397</a>	When appropriate, the fact that the company is being wound up.	✓	

<sup>11</sup> Information to be given in notes to the accounts are set out in [Section 409-413 of the CA 2006](#).

<sup>12</sup> Although the Regulations also include [The Small Companies and Groups \(Accounts and Directors' Report\) Regulations 2008](#) (SI 2008/409) this analysis focuses on SI 2008/410 because IFRS 19 is unlikely to be relevant to those companies falling under SI 2008/409. These companies would likely to continue preparing Companies Act accounts.

**Table 3: Company law disclosure requirements**

Sections	Information to be given in notes to the accounts	Is the information in excess of what is required by IFRS 19?	
<a href="#">CA 2006 s409</a>	<p>Complete list and certain details of related undertakings set out in the Accounting Regulations.</p> <p><a href="#">Schedule 4</a> to the Regulations set out the information on related undertakings required whether preparing Companies Act or IAS accounts.</p>	✓	
<a href="#">CA 2006 s410A</a>	Off-balance sheet arrangements that are material.	✗	IFRS 19 paragraphs 92-94 set out disclosures for interests in unconsolidated structured entities. However, Section 410A of the Companies Act has a broader scope, encompassing off-balance-sheet arrangements including special purpose entities
<a href="#">CA 2006 s411</a>	Average number of employees (split by category for medium-sized and large companies).	✓	
<a href="#">CA 2006 s411</a>	<p>Total staff costs of the company relating to the financial year broken down between—</p> <p>a) wages and salaries paid or payable in respect of that year to those persons,</p>	✓	IFRS 19 paragraph 203 only require disclosure of the amount recognised as an expense for defined

**Table 3: Company law disclosure requirements**

Sections	Information to be given in notes to the accounts	Is the information in excess of what is required by IFRS 19?	
	b) social security costs incurred by the company on their behalf, and c) other pension costs so incurred.		contribution plan <sup>13</sup> .
<a href="#">CA 2006 s412</a>	Directors' remuneration. The information required about directors' benefits and remuneration is extensive.	✓	IFRS 19 paragraph 227 only requires disclosure of key management personnel compensation in total
<a href="#">CA 2006 s413</a>	Details of directors' advances, credits and guarantees. For example, the details required of an advance or credit are: its amount, an indication of the interest rate, its main conditions, any amounts repaid, any amounts written off, and any amounts waived.	✓	
<a href="#">SI 2008/489 (Regulation 5)</a>	Auditor's remuneration required by The Companies (Disclosure of Auditor Remuneration and Liability Limitation Agreements) Regulations 2008 (SI 2008/489).	✓	
<a href="#">SI 2008/489 (Regulation 8)</a>	If applicable, details of any liability limitation agreement with the company's auditor.	✓	

<sup>13</sup> For defined benefit plans, IFRS 19 requires disclosure of contributions to the plan.