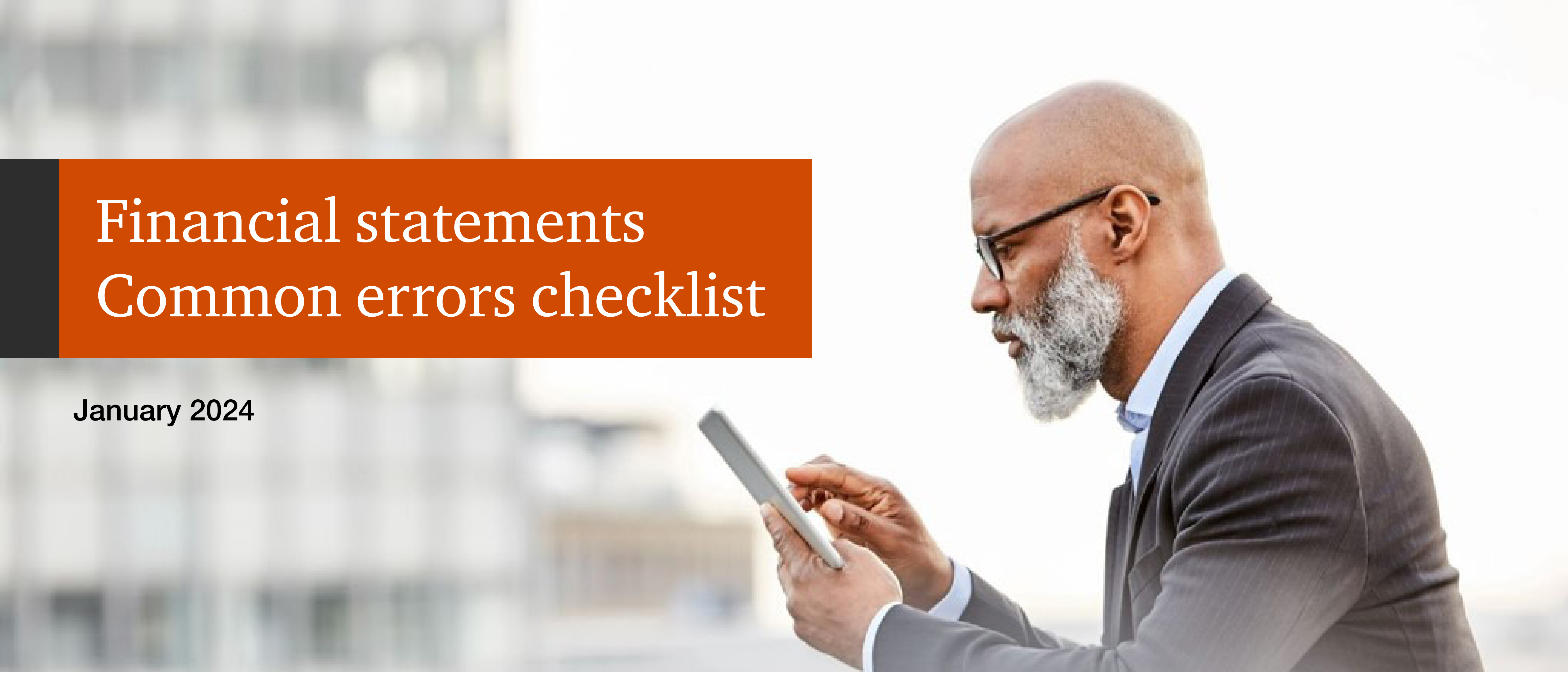


Financial statements
Common errors checklist

January 2024

pwc

Introduction

Purpose

Increase quality and streamline the financial statements process.

The purpose of this document is to act as an aide memoire to be utilised while producing draft financial statements. It leads the user through various quality and disclosure checks that have been identified either as high focus areas by the regulator or common areas of mistakes.

Ensuring each of these checks has been completed will:

- Increase the quality of financial statements produced.
- Reduce the number of comments raised and requiring your attention during review.
- Improve user knowledge of key areas of focus and the considerations that should be made.

This document is intended for use during the preparation and review process of the financial statements. It can be used alongside the illustrative accounts that can be found on WWViewpoint.

Instructions for use

How to use this document to guide you through these key quality and disclosure checks.

- The checklist roadmap will guide users through each step of review, providing useful links and guidance. Review steps include relevant quality checks to be performed, and it is important that these are revisited when any amendments are made within the financial statements.
- Step 2 instructs the user to complete the tailoring section within the document, this allows the user to focus on areas identified that are relevant to the set of financial statement being reviewed. Selecting the relevant disclosure area will navigate the user to the corresponding considerations.
- Review each relevant area to ensure all considerations listed are worked through and actioned where necessary. Links to the publications or relevant section(s) of the accounting standard and the Companies Act are included for reference.

Scope limitations

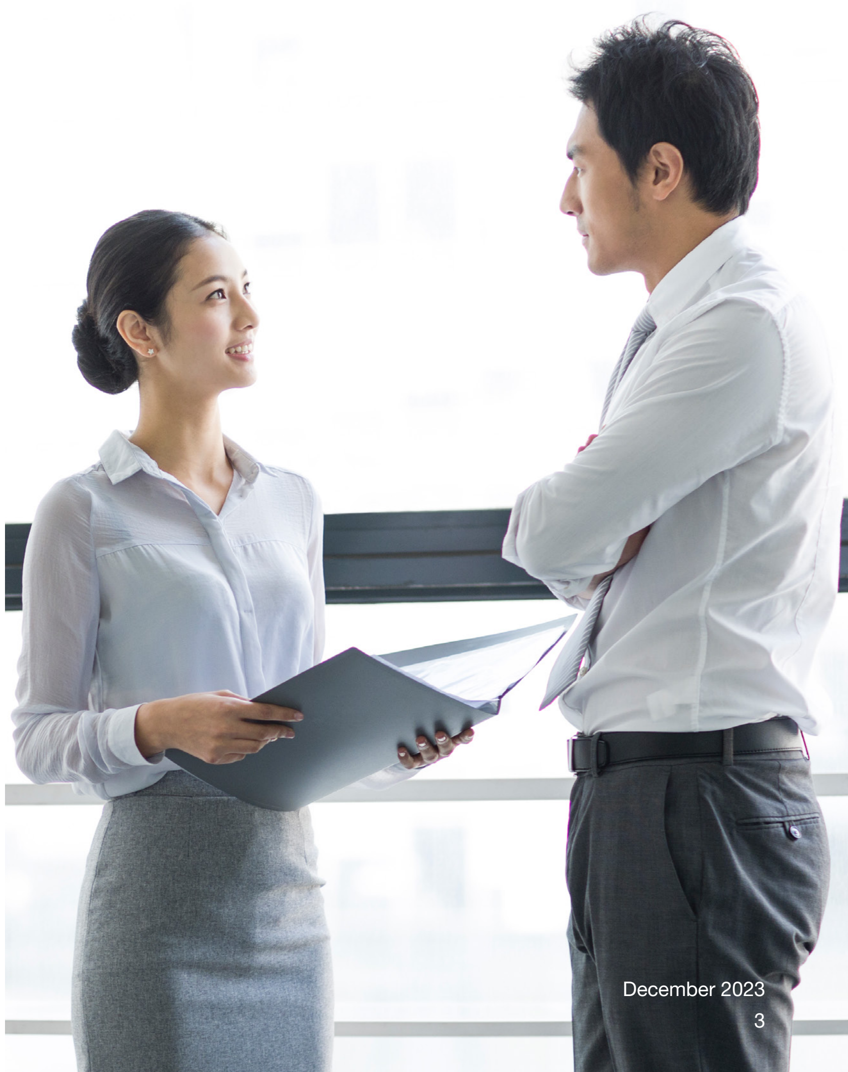
Focus on key priority areas identified by our regulator, not an exhaustive list.

This publication is not an exhaustive disclosure checklist, it lays out key areas of focus relating to the financial statements from recent FRC Thematic reviews, most frequent challenges from the Corporate Reporting Review (CRR) Team and other key points to note from accounting standards and the Companies Act.

The steps and considerations within this document, including linked materials, are not intended and should not be construed as a complete checklist. The reader / user of this publication remains solely responsible for the quality, accuracy and completeness of the financial statements prepared, which will be subject to audit in the normal course of events.

Readers / users might find our full UK disclosure checklists useful to identify other disclosures that might be relevant under the circumstances but are not featured in this publication. This can be found within Viewpoint.

Contents



Checklist roadmap

Draft

Step 1	Refer to recent Thematic Reviews issued by FRC over the past year, including challenges raised by the Corporate Reporting Review (CRR) Team to work through the relevant expectations / considerations to think about.	FRC section
Step 2	Select all disclosure areas relevant to the financial statements being reviewed (note this may alter by entity so ensure this is considered separately for each set of financial statements). Once selected the user is navigated to the corresponding considerations.	Tailoring
	Each disclosure section presents the user with the relevant requirements, including links to the detailed standard or publication, and considerations to work through to ensure high quality disclosures.	
Step 3	Ensure that all comparative figures and narrative have been agreed to the signed prior year financial statements, or disclosed as restated.	
Step 4	Review and confirm that all disclosure notes are included for each material line item, including disclosure of the applicable accounting policy.	
Step 5	Ensure the following consistency checks are performed: • Document casts and cross casts through-out, including primary statements and all notes. • Pages are sequentially numbered. • Note headings are consistent with all primary statements. • Note numbers and amounts agree and are consistent throughout the document, including: – All primary statements. – All notes tie through to primary statements.	

Ready!

FRC spotlight – recent FRC thematic reviews

Step 1

[IFRS 17 'Insurance Contracts' Interim Disclosures in the First Year of Application]

[Climate-related metrics and targets]

[Fair value measurement]

[Business Combinations]

[Deferred tax assets]

[Earnings per share (IAS 33)]

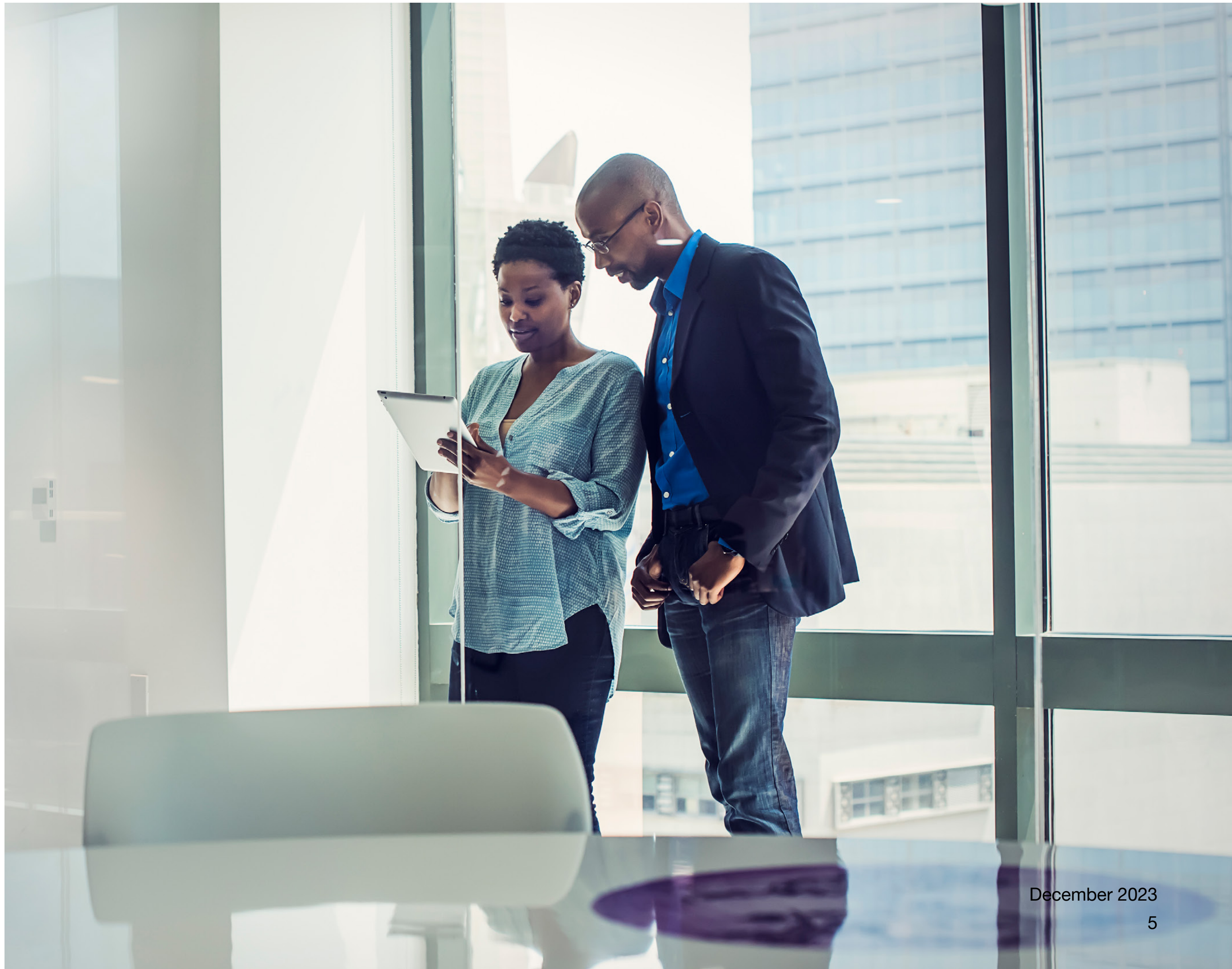
[TCFD disclosures and climate in the financial statements]

[Judgements and estimates]

[Discount rates]

[IAS 37 'Provisions, Contingent Liabilities and Contingent Assets']

[Viability and going concern]



Recent FRC thematic reviews

Insurance contracts	What should I be thinking about?
FRC thematic review [IFRS 17 'Insurance Contracts' Interim Disclosures in the First Year of Application]	Key expectations: • Provide quantitative and qualitative disclosures, that are both decision-useful and company-specific, which meet the disclosure objective of IFRS 17 and enable users to understand how insurance contracts are measured and presented in the financial statements. • Ensure that accounting policies are sufficiently granular and provide clear, consistent explanations of accounting policy choices, key judgements and methodologies, particularly where IFRS 17 is not prescriptive. • Where sources of estimation uncertainty exist, provide information about the underlying methodology and assumptions made to determine the specific amount at risk of material adjustment and provide meaningful sensitivities and/or ranges of reasonably possible outcomes. • Provide sufficiently disaggregated qualitative and quantitative information to allow users to understand the financial effects of material portfolios of insurance (and reinsurance) contracts. • Clearly explain the impact of transition to IFRS 17, including details of underlying methodology to measure insurance contracts at the measurement date and disclosure of reconciliations of the CSM and revenue by transition method. • Ensure alternative performance measures, and any changes to such measures, are adequately explained, not given undue prominence and reconciled to the most directly reconcilable line item in the financial statements.

Recent FRC thematic reviews (continued)

Climate-related metrics and targets	What should I be thinking about?
FRC thematic review Climate-related metrics and targets	**Clarity of reporting** • Consider how to ensure reporting is clear and concise, using the '4Cs' of effective communication when determining the location and format of disclosures, to ensure key messages are not obscured, and use specific cross references to relevant information reported elsewhere. **Statement of consistency** • Provide a clear statement of the extent of consistency with TCFD in the annual report, including all information required by the Listing Rules. **Data challenges** • Provide clear explanations of metrics and targets reported, including, where relevant, any data limitations, methodologies, reporting boundaries and any changes to data. **Transition plans** • Consider the TCFD guidance, including relevant supplemental guidance, when reporting on targets and the plans to meet them. **Climate-related targets** • Clearly explain what 'net zero' or 'carbon neutrality' terms mean, in the context of the company, ensuring that disclosures about such commitments are not misleading. • Provide explanations of targets, including relevant information such as the time period, reporting boundaries, the emissions scopes covered and any metrics used to measure them.

Recent FRC thematic reviews (continued)

Climate-related metrics and targets	What should I be thinking about?
FRC thematic review Climate-related metrics and targets	**Climate-related targets (continued)** • Explain areas of significant challenges or uncertainties, such as new technology, required to meet targets. • Ensure that linkages between targets are explained if a number of targets need to be met in order to achieve an overall objective. • Explain whether carbon offsetting represents a significant part of a company's strategy to reach net zero. • Provide comparative information alongside current reporting to enable performance against the target to be assessed. If any updates are made to targets, such as restatements or updates to baselines, these should be disclosed and explained. **Climate-related metrics** • Report material cross-sector climate-related metrics and keep relevant standard industry metrics and peer reporting under review. • Ensure that any linkage between risks and opportunities and metrics used to measure, monitor or manage them is clear, and also explain which metrics are used to track progress on net zero plans. • Consider whether additional disaggregation of metrics and targets by business line or geography would aid understandability. • Provide definitions and methodologies for company-specific metrics. • State and explain the reporting period for the metric if different to the financial statements. • Report Scope 3 GHG emissions where appropriate, explaining reporting boundaries and categories reported, and consider the impact on the statement of consistency with TCFD if material categories are not reported. • Provide comparative data to enable trend analysis and explain material movements, particularly where performance has not met, or has exceeded targets. • Provide internal carbon prices where relevant and explain how they are used by the company. Where this information is presented outside of the annual report and accounts, this should be cross referenced.

Recent FRC thematic reviews (continued)

Climate-related metrics and targets	What should I be thinking about?
FRC thematic review Climate-related metrics and targets	**Assurance** • Explain the level and scope of any external assurance given, ensuring the terminology used to describe the assurance does not imply a higher level of assurance than has actually been obtained. **Directors' Remuneration** • Clearly describe climate-related targets and actual achievements against them as part of the Directors' Remuneration Report, in a manner consistent with the TCFD disclosures. **Impact of targets on the financial statements** • Consider the impact of climate-related targets and transition plans on the financial statements, taking into account the IASB's educational material. • Provide an appropriate level of disclosure, including any significant judgements or assumptions that have been made in reaching their assessment, when there is a reasonable expectation that the climate-related targets and transition plans could impact the financial statements.

Recent FRC thematic reviews (continued)

Fair value measurement

FRC thematic review

IFRS 13 Fair value measurement

Recent challenges from CRR Team:

- Fair value measurements should use market participants' assumptions, and high quality disclosures should be provided. Most issues are found in the disclosure of recurring Level 3 measurements, for which the significant unobservable inputs should be quantified and a sensitivity analysis given. Companies should consider the need for specialist third party advice where no internal expertise exists.

What should I be thinking about?

Key expectations

- Ensure that fair value measurements represent market participant, rather than company-specific, assumptions and reflect the characteristics of the relevant assets, liabilities or equity instruments subject to the fair value measurements.
- Ensure that information on fair value measurements is consistent across the ARA and reflects the significant risks facing the business, including management commentary necessary to complement and further explain fair value measurements.
- Consider obtaining specialist third party advice, when the fair valuation is likely to be material and where no internal expertise exists.
- Disclose any significant estimation uncertainty in relation to fair value measurements.
- As a minimum provide disclosures required by the standard, including the following information for the recurring Level 3 measurements: quantitative information about significant unobservable inputs and adjustments, quantitative sensitivity for financial instruments and a reconciliation of movements in fair value.
- Provide additional information where this is necessary to meet the overall disclosure objective of the standard, not just the specific requirements, and avoid boilerplate and immaterial information.
- Explain how management considered climate-related matters in fair value measurements where this information is material.
- Ensure that the level of aggregation of information on fair value measurements results in useful disclosures.

Recent FRC thematic reviews (continued)

Business combinations	What should I be thinking about?
FRC thematic review IFRS 3 Business Combinations	Key expectations • Clearly explain the impact of the business combination on the group's strategy, resources, operations and performance. Explanations should be clear and concise, highlighting the reasons for any significant changes. • Provide a comprehensive understanding of the effects of the business combination supported by consistent information throughout the annual report, allowing the reader to follow 'the full story'. • Avoid boilerplate disclosures, making sure explanations reflect the specific circumstances. • Provide meaningful sensitivities and/or ranges of reasonably possible outcomes for significant estimates made in accounting for the business combination. • Disclose clearly the potential variability in future amounts payable for contingent consideration. • Make sure business combination related cash flows are correctly classified, with cash flows for acquisition-related costs within operating cash flows in the consolidated accounts. • Carefully consider what deferred tax balances should be recognised as a result of the combination. • Explain how transactions not accounted for as part of the business combination have been treated and the line item(s) in the financial statements in which they have been recognised. When contingent payments are linked to continuing employment of personnel they should be excluded from consideration for the business combination and accounted for as post acquisition employment expense.

Recent FRC thematic reviews (continued)

Deferred tax assets	What should I be thinking about?
FRC thematic review Deferred tax assets	Key expectations: • Disclose company-specific information about the nature of convincing evidence supporting the recognition of deferred tax assets when there is a recent history of losses. • Base forecasts of future taxable profit on assumptions that are consistent with other forecasts used in the preparation of the annual report and accounts (subject to some specific differences). • Reassess the level of recognition of deferred tax assets when there are material changes to the deferred tax liabilities in the same taxable entity and tax jurisdiction. • Disclose company-specific information about deferred tax judgements and estimates, including relevant sensitivities and/or the range of possible outcomes in the next 12 months. • Explain the extent to which climate change risks have been reflected in deferred tax judgements and estimates, consistent with the degree of emphasis placed on those risks in the narrative reporting. • Provide disaggregated information about material components of the tax expense and deferred tax balances. • Provide transparent and informative tax disclosures that are consistent across the annual report and accounts.

Recent FRC thematic reviews (continued)

Earnings per share	What should I be thinking about?
FRC thematic review Earnings per Share (IAS 33)	Recommendations and expectations: • Recommend companies provide further information to explain the basis for the weighted average number of shares, if it is significantly different from information disclosed about issued ordinary shares and potential ordinary shares. • Expect judgements that have a material effect on EPS to be disclosed in accordance with paragraph 122 of IAS 1. • Expect the disclosures provided for adjusted EPS to meet the requirements of the ESMA Guidelines on APMs and to explain the methodology applied in calculating adjusted EPS, including the basis used for tax on adjusting items. Reminders: • The IAS 33 definition of whether potential ordinary shares are dilutive or antidilutive is based on the profit or loss from continuing operations. • Share reorganisations that involve a bonus element require retrospective adjustment in the weighted average number of ordinary shares used for EPS for all periods presented. • When preference shares are classified as equity, earnings used for EPS are adjusted for all the effects of those preference shares including dividends and any premiums arising on redemption. • A company whose listing was achieved using a reverse acquisition should apply the methodology set out in IFRS 3 for calculating the weighted average number of shares for the period of the reverse acquisition and for comparative periods.

Recent FRC thematic reviews (continued)

Climate	What should I be thinking about?
FRC thematic review TCFD disclosures and climate in the financial statements	Connectivity with TCFD disclosures: Consider the connectivity between TCFD disclosures and the financial statements, and explain where necessary, including whether: • the emphasis placed on climate change risks and uncertainties in narrative reporting, including TCFD disclosures, is consistent with the disclosure of this impact of those uncertainties on judgements and estimates in the financial statements, • the relationships between assumptions and sensitivities considered in TCFD scenarios, and those in the financial statements, is clear, • emissions reduction commitments and strategies are appropriately reflected in the financial statements, • the scale of growth of businesses and climate-related opportunities is consistent between narrative and segmental disclosures, • the time periods disclosed for TCFD reporting are consistent with the going concern and viability statements, and • discussion of matters that may have an adverse effect on asset values or useful lives in the narrative reporting is consistent with judgements in the financial statements, for example, that there are no indicators of impairment. Judgements and estimates: Consider whether disclosure of climate-related significant judgements or assumptions and sources of estimation uncertainty is required by paragraphs 122 or 125 of IAS 1. Companies should: • clearly distinguish between these disclosures and any additional disclosures which may be included to address longer term estimation uncertainty which is not expected to result in a material impact in the next financial year, and • consider to what extent the global warming outcomes targeted by the Paris Agreement, and relevant government and regulatory plans to reduce carbon emissions, need to be taken into account in measuring assets and liabilities and in fulfilling the disclosure requirements of IFRS standards.

Recent FRC thematic reviews (continued)

Climate

FRC thematic review

TCFD disclosures and climate in the financial statements

Recent challenges from CRR Team:

- A clear statement of consistency with TCFD (where required by the Listing Rules, or an explanation of the reasons for not doing so) which explains, unambiguously, whether management considers they have given sufficient information to comply with the framework in the current year should be provided.
- Companies which have not disclosed information the FCA 'particularly expects' to be provided may be challenged. The FCA ordinarily expects companies 'in particular' to be able to provide disclosures consistent with the governance, risk management, and strategy (a)&(b) recommendations (LR 9.8.6E(2)).
- Companies must, in any case, comply with the new mandatory requirements for disclosure of certain TCFD-aligned information (where applicable).
- Better disclosure should help users understand the linkage between narrative reporting on uncertainties such as climate change, and the assumptions made in the financial statements.

What should I be thinking about?

Impairment: Explain how climate-related uncertainties have been reflected in impairment assessments, avoiding boilerplate statements that climate has been incorporated. Companies should:

- Ensure that quantified disclosures of impairment assumptions and sensitivities meet the requirements of IAS 36, including the additional requirements for cash generating units (CGUs) containing goodwill or indefinite lived intangibles,
- Explain how material climate uncertainties and transition plans discussed in the narrative reporting have been incorporated into the assessment including, where relevant, impacts on budget periods or terminal growth rates. We encourage companies to explain whether they have incorporated climate risk into cash flows or discount rates, and
- Explain significant movements in assumptions, including those associated with climate change.

Useful economic lives:

- Ensure useful lives of assets are appropriate in the context of the climate transition. Where there are published plans to replace material long-lived assets, or anticipated regulatory changes in a geography or industry which would drive early retirement of assets, we expect companies to explain how these matters have been taken into account in determining useful lives.

Revenue and segment disclosures:

- The extent of aggregation permitted in IFRS 8 and IFRS 15 depends on whether component businesses have similar characteristics. Companies should consider these requirements where businesses are subject to very different risks and uncertainties from the climate transition, and keep these disclosures under review as these businesses evolve.

Recent FRC thematic reviews (continued)

Judgements and estimates	What should I be thinking about?
FRC thematic review Judgements and estimates	Significant estimates: • Clearly specify which estimates have a significant risk of material adjustment to the carrying amount of assets and liabilities in the next financial year. • Quantify the specific amount at risk of material adjustment. • Provide sufficient granularity in the descriptions of assumptions and / or uncertainties to enable users to understand management's most difficult, subjective or complex judgements. • Clearly distinguish the disclosure of other estimates, and associated sensitivities, from significant estimates and explain their relevance. • Provide meaningful sensitivities and / or ranges of reasonably possible outcomes for significant estimates, these should not be limited to those required by other IFRS standards. • Quantify the assumptions underlying significant estimates when investors need this information to fully understand their effect, for example, commodity prices. • Explain any changes to past assumptions if the uncertainty remains unresolved. Significant judgements: • 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. Climate change: • Assess whether disclosure of climate-related significant judgements or assumptions and sources of estimation uncertainty are required by paragraphs 122 or 125 of IAS 1 and consider whether information about assumptions with a longer-term effect is required.
Recent challenges from CRR Team: • All significant judgements, including those applied in performing the going concern assessment, should have been described. It is not sufficient to list the matters requiring judgement. • Disclosures about estimates should include values, sensitivities and explain significant changes. Sources of estimation uncertainty with a significant risk of resulting in a material adjustment within one year should be clearly distinguished from other estimates. • Disclosures are reassessed every year to confirm all relevant matters are captured, immaterial issues are not rolled forward and the assumptions and ranges of reasonably possible outcomes remain appropriate in the company's current circumstances.	

Recent FRC thematic reviews (continued)

Discount rates	What should I be thinking about?
FRC thematic review Discount rates	Key disclosure expectations: • Ensure that assumptions used for discount rates and cash flows are internally consistent. • Ensure risks are not counted twice. In many cases, it will be easier to risk adjust cash flows. • 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 cash flows for VIU calculations, or where companies apply post-tax discount rates to post-tax cash flows, to assess whether this will provide an answer that is materially similar to one that uses a pre-tax basis, and disclose the equivalent pre-tax discount rates. • Obtain specialist third party advice, when the choice of discount rate has a material effect on the measurement of assets or liabilities, and where no internal expertise exists. • Provide high quality disclosures when judgement has been exercised or discount rates are a source of significant estimation uncertainty. • Disclose the discount rate used, as well as an explanation for how it was determined. • Ensure that management commentary, both in the financial statements and strategic report, is clear and consistent with other disclosures in the financial statements, for example, where changes in discount rate assumptions have, or could have a material impact.

Recent FRC thematic reviews (continued)

IAS 37	What should I be thinking about?
FRC thematic review [IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'](#)	Recommendations and expectations: • Concise and entity-specific descriptions of the significant accounting policies adopted in respect of provisions and contingencies. • Clear and specific descriptions of the nature of each material exposure, the timeframe over which it is expected to crystallise and the basis for determining the best estimate of the probable or possible outflow. • Quantitative information about expected or maximum exposures to contingent liabilities, or a clear and justified statement that it is not practicable to provide an estimate of the financial effect, negative confirmation can be helpful where users may otherwise expect the company to report an exposure. • 'Indications of uncertainty' in timing and / or amount that help users understand the potential financial effect (which may arise beyond the next financial year) of additional or reduced costs and / or earlier or later timing of outflows. • Explanation of significant judgement exercised by management in determining the recognition and measurement of provisions, setting out the rationale for management's conclusion and the effect on the financial statements of taking an alternative view. • Quantitative and qualitative information about critical estimation uncertainty affecting the next financial year, including disclosure of key assumptions and sensitivities. • Management commentary on significant year – end balances and unrecognised exposures, and on significant movements recognised during the period (whether additions, new provisions, utilisations or reversals).
Recent challenges from CRR Team: • Clear and specific descriptions of the relevant exposure should be provided, including the basis for determining the best estimate of the relevant outflow, and the timeframe over which it is expected to crystallise. • The calculation and presentation should comply with IFRS. Provisions should not be presented net of any reimbursement asset and a consistent approach should be taken in reflecting the effects of inflation in cash flows and discount rates.	

Recent FRC thematic reviews (continued)

Viability and going concern	What should I be thinking about?
FRC thematic review Viability and going concern	• Include sufficient qualitative and quantitative information to enable a reader to fully understand the assessment. This requires detailed, company specific, information to be provided. These disclosures may, for example, include: details of drawn and undrawn facilities in place and reliance upon such facilities, explanation of any reliance on any government support programs, details of covenants including headroom, and information on post balance sheet changes to liquidity. • Use assumptions which are clearly consistent with those used in other forward-looking areas of the financial statements such as impairment testing and the assessment of the recoverability of deferred tax assets. • Clearly explain the inputs and assumptions used in forecast scenarios (providing quantitative as well as qualitative information). • Explain the sensitivity analysis, stress and reverse stress tests carried out to support the assessment and provide details of the inputs (quantitative as well as qualitative detail) and outcomes of any such analysis. • Clearly identify any material uncertainties related to events or conditions which may cast significant doubt on an entity's ability to continue as a going concern. • Highlight the significant judgements made by management in determining whether or not the adoption of the going concern basis is appropriate and whether or not there are material uncertainties in respect of going concern to disclose.

Tailoring

Step 2

Disclosure considerations by topic

Disclosure considerations | Financial statement presentation

Requirements		What should I be thinking about?
CA06 SI 2008 / 410 1 Sch	UK GAAP reporters (including FRS 101) are required to comply with either the adapted format (based on IFRS) or the Companies Act format for the presentation of their primary statements. IFRS reporters are required to comply with the IFRS format. The most significant differences arise in the balance sheet and profit and loss account.	Under IFRS or the adapted format, Debtors are classified between current and non-current based on the earliest date on which payment is expected. Under Companies Act format, Debtors are always included as a component of current assets (with separate disclosure in the notes of amounts 'due after more than one year'). This classification is based on the earliest date on which payment is due, not expected. Under IFRS or the adapted format, deferred tax balances are always classified as non-current on the balance sheet. Under Companies Act format, deferred tax liabilities are presented within Provisions, and assets are presented as current assets within Debtors (with separate disclosure in the notes of amounts 'due after more than one year'). For both Debtors and deferred tax assets under Companies Act format above, if the amount is material in the context of total net current assets, then the amount due after more than one year should be presented separately on the face of the balance sheet. This is achieved by presenting two line items - debtors due within one year and debtors due after more than one year - next to one another within Current Assets. Turnover is a subset of revenue as it is specific to the revenue generated from the sale of goods and services.
IAS 1 para 29 FRS 102 para 5.9A	Material items of a dissimilar nature or function must be disclosed separately. Where an entity presents a class of items as 'exceptional' or 'separately disclosed', sufficient detail must be included in the accounting policy to explain the categories of transaction and principles applied to determine what transactions are in scope.	If items are presented as 'exceptional', 'separately disclosed' or similar terminology, has an accounting policy been correctly disclosed that specifies the categories of transactions and / or the principles applied in determining what transactions fall within its scope?
IAS 1 para 99	An entity shall present an analysis of expenses recognised in profit or loss using a classification based on either their nature or their function within the entity, whichever provides information that is reliable and more relevant.	Are the expenses in the income statement presented either by their nature or their function consistently? If presenting expenses by function, additional information should be disclosed on the nature.

Disclosure considerations | Financial statement presentation (continued)

Requirements		What should I be thinking about?
IAS 1 para 32 FRS 102 para 2.52	An entity shall not offset assets and liabilities or income and expenses, except where expressly required or permitted by IFRS or UK GAAP. This principle is relevant to transactions presented in the primary statements and common errors are seen in the cash flow statement and statement of changes in equity where transactions are incorrectly presented net.	Ensure the gross transactions are correctly disclosed in the primary statements, and are only offset when permitted by GAAP. If an equity-settled share-based payment is recharged by a subsidiary to its parent, are the payment and recharge correctly shown gross in the subsidiary accounts? Are the proceeds and repayments of bank loans correctly presented gross as financing activities in the cash flow statement?
IAS 1 para 60 FRS 102 para 4.4A and para 4.7	Current and non-current assets and liabilities must be disclosed separately. There are different classification rules for assets and liabilities, so an item could be a current liability for the payable side but a non-current asset for the receivable side. A common error is to disclose an intercompany loan without specific terms (i.e. repayable on demand) as a non current liability.	Have intercompany loans receivable and payable been presented in the balance sheet appropriately based on their terms and conditions? If an intercompany loan payable has no agreed terms and conditions, has the loan correctly been classified as a current liability? If an intercompany loan receivable has no agreed terms and conditions, but the lender has made clear that it does not expect to seek repayment, has the loan correctly been classified as a non-current asset?
CA06 SI 2008 / 410 Sch 1 Part 1 Sec B Balance Sheet Formats	Where an entity reports under FRS 101 or FRS 102, it is required by company law to disclose: i. amounts owed to and by other group undertakings and, separately, ii. amounts owed to and by undertakings in which it has a participating interest. This is a company law requirement and so overrides the more general exemption from disclosing related party transactions with other group entities (FRS 101 para 8(k), FRS 102 para 33.1A).	If the entity is reporting is under FRS 101 or FRS 102, are amounts owed to and by other group undertakings disclosed correctly, and separately, amounts owed to and by undertakings in which it has a participating interest, even if the FRS 101 or FRS 102 related party exemptions are being taken?

Disclosure considerations | Financial statement presentation (continued)

Requirements		What should I be thinking about?
IAS 1 para 117 FRS 102 para 8.5	An entity is required to disclose their application of material (IAS) / significant (FRS 102) accounting policies. Common errors are that accounting policies are boilerplate or are missing for material balances (e.g. if new during the period).	Is the revenue accounting policy sufficiently specific to the business, i.e. can the user of the financial statements tell what the entity's business is from the revenue accounting policy? Does the entity explain the policy for each type of disaggregated revenue stream? Has the entity stepped back and checked the completeness of the accounting policies to material balances? Are there accounting policies disclosed which are not relevant to the transactions and balances in the accounts which could be removed? Have the accounting policies been updated for changes in standards? Common mistakes have included using terminology from IAS 39 (such as 'available for sale' and 'held to maturity') after adopting IFRS 9 and referring to finance leases as lessee after adopting IFRS 16.
IAS 1 para 134 and 135 FRS 102 para 34.31	An entity is required to disclose information that enables users of its financial statements to evaluate the entity's objectives, policies and processes for managing capital. For FRS 102 reporters, the above is only required for financial institutions.	Has the entity disclosed qualitative information about its objectives, policies and processes for managing capital as well as summary quantitative data about what it manages as capital? Have the period-on-period changes been disclosed? Is there disclosure on whether externally imposed capital requirements, if any, has been complied with or if not complied with, the consequences of such non-compliance?

Disclosure considerations | Financial statement presentation (continued)

Requirements		What should I be thinking about?
IAS 1 para 40A-40D	An entity shall present a third statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statements required if: • it applies an accounting policy retrospectively, makes a retrospective restatement of items in its financial statements or reclassifies items in its financial statements, and • the retrospective application, retrospective restatement or the reclassification has a material effect on the information in the statement of financial position at the beginning of the preceding period.	Has a third balance sheet at the beginning of the preceding period been presented where applicable? This is usually required when there are restatements due to prior period errors identified or changes in accounting policies. If the entity reports under FRS 101, has it disclosed that it has taken the exemption to produce a 3rd balance sheet at the start of the comparative period? This is not a requirement for FRS 102 reporters.
CA06 s408	Where a parent company prepares group accounts, the company's individual profit or loss account may be omitted if the company's individual balance sheet shows the company's profit and loss for the financial year and this exemption is disclosed.	Where a parent company has taken the exemption to present its individual profit or loss account, does the parent company's individual balance sheet show the company's profit or loss for the financial year and do the notes disclose that the exemption has been taken?

Recent challenges from CRR Team:

- Company-specific information about material accounting policies and transactions should be disclosed. It is important that these explain how the policies apply to the company's particular circumstances.
- The financial statements should be carefully reviewed. Common issues that were found included errors in the classification of intercompany receivables balances between current and non-current, and failure to disclose material impairments of receivables on the face of the income statement.

Disclosure considerations | Statement of cash flows

Requirements		What should I be thinking about?
IAS 7 para 6 FRS 102 para 7.2	Items classified as cash and cash equivalents must be short-term highly liquid investments that are readily convertible into cash, i.e. with an original maturity of no longer than 3 months. Cash and cash equivalents must have an insignificant risk to changes in value. While most external cash deposit arrangements will meet this criteria, intercompany arrangements with a treasury function will meet the requirement in limited circumstances (as there is insufficient liquidity to meet all intercompany obligations simultaneously).	Are investments classified as cash equivalents limited to those investments which are readily convertible to cash within 3 months of the original maturity date? This does not include items where they now have a remaining maturity of 3 months or less. If there is an intercompany arrangement with a group treasury function and these balances are presented within 'cash and cash equivalents' as opposed to within receivables, do these meet the requirements of having an insignificant risk of change in value?
IAS 7 para 20 FRS 102 para 7.8	Under the indirect method, the net cash flow from operating activities is determined by adjusting profit or loss for the effects of: • changes during the period in inventories and operating receivables and payables, • non-cash items such as depreciation, provisions, deferred taxes, unrealised foreign currency gains and losses, and undistributed profits of associates, and • all other items for which the cash effects are investing or financing cash flows.	For working capital movements, the reconciling items should be based on actual cash flows. It is not always an amount equal to the balance sheet movements that is presented and non-cash movements (e.g. foreign exchange movements or additions due to business combinations) should be stripped out. Are there non-cash items within profit or loss that should be reconciling items?

Disclosure considerations | Statement of cash flows (continued)

Requirements		What should I be thinking about?
IAS 7 para 21 FRS 102 para 7.10	An entity shall report separately major classes of gross cash receipts and gross cash payments arising from investing and financing activities. These are subject to certain limited exceptions in the applicable accounting standard.	Are interest received and interest paid disclosed gross in Investing and Finance activities? Are repayment and proceeds of bank loans generally presented gross within financing activities? Have the cash flow items been classified between operating, investing and financing activities? Common mistakes arise in transactions involving business combinations, disposal of subsidiaries and joint ventures. Cash inflows and outflows relating to interest on loans and derivatives should also be presented separately as operating, investing or financing as appropriate, even if the amount is the same as is presented in profit or loss. This means, for example, that interest might be added back in the reconciliation from profit to operating cash flow, and then separately deducted.
IAS 7 para 28 FRS 102 para 7.13	Unrealised gains and losses arising from changes in foreign currency exchange rates are presented separately from cash flows from operating, investing and financing activities and includes the differences, if any, had those cash flows been reported at end of period exchange rates.	Are foreign exchange differences in cash and cash equivalents presented separately on the face of the cash flow statement in the reconciliation from opening to closing cash and cash equivalents?
IAS 7 para 31 FRS 102 para 7.14	Cash flows from interest and dividends received and paid shall each be disclosed separately. Each shall be classified in a consistent manner from period to period as either operating, investing or financing activities.	Are cash flows from interest and dividends received and paid disclosed separately? Have they been classified consistently from period to period?

Disclosure considerations | Statement of cash flows (continued)

Requirements		What should I be thinking about?
IAS 7 para 43 FRS 102 para 7.18	Investing and financing transactions that do not require the use of cash or cash equivalents shall be excluded from a statement of cash flows. Such transactions shall be disclosed elsewhere in the financial statements in a way that provides all the relevant information about these investing and financing activities.	Are investing and financing transactions that do not require the use of cash or cash equivalents disclosed elsewhere in the financial statements in a way that provides all the relevant information about these investing and financing activities? Examples include the acquisition of assets either by assuming directly related liabilities or by means of a lease, the acquisition of an entity by means of an equity issue and the conversion of debt to equity.
IAS 7 para 44A-E	An entity shall disclose the following information about changes in liabilities arising from financing has to be given under IAS 7: • changes from financing cash flows, • changes arising from obtaining or losing control of subsidiaries or other businesses, • the effect of changes in foreign exchange rates, • changes in fair values, and • other changes. This is required even if an entity chooses to reconcile a different 'net debt' measure.	Does the disclosure of changes in liabilities arising from financing correctly present the movements on a gross basis? Does the disclosure of changes in liabilities correctly reflect the financing items from the Statement of Cash Flows, including changes in lease liabilities? If a reconciliation is provided using the entity's own definition of net debt, has the entity made sufficient disclosures to also meet the standard's requirements?

Recent challenges from CRR Team:

- A robust pre-issuance review should be performed. Fewer 'routine' errors were found but many issues from basic consistency checks continue to be identified when comparing the cash flow statement to other information in the financial statements. Other common errors found relate to classification, netting, and reporting non-cash movements in the cash flow statement.

Disclosure considerations | Accounting policies, changes in accounting estimates and errors

Requirements		What should I be thinking about?
IAS 8 para 49 FRS 102 para 10.23	An entity is required to disclose the following for each prior period error: a. the nature of the prior period error, b. for each prior period presented, to the extent practicable, the amount of the correction: i. for each financial statement line item affected, and ii. if IAS 33 applies to the entity, for basic and diluted earnings per share, c. the amount of the correction at the beginning of the earliest prior period presented, and d. if retrospective restatement is impracticable for a particular prior period, the circumstances that led to the existence of that condition and a description of how and from when the error has been corrected.	Have the disclosure requirements, especially the quantitative impact and the nature, been met for each prior period error? Is the impact of the prior year error shown as a separate line item in the statement of changes in equity? This is required by IAS 1 para 106(b) and FRS 102 para 6.3(b). Have prior period errors, changes in estimates and changes in accounting policies been clearly distinguished from each other? Each category has its own required adjustments and disclosures.

Disclosure considerations | Revenue from contracts with customers

Requirements		What should I be thinking about?
IFRS 15 para 110	IFRS 15 disclosures need to be sufficiently specific to an entity, including disclosure of qualitative and quantitative information about contracts with customers, significant judgements and contract assets.	Has an IFRS entity correctly included a disaggregation of revenue as required by IFRS 15 para 114 reflecting how the nature, amount, timing and uncertainty of cash flows are affected by economic factors, e.g. by type of good or service, geography, type of contract etc? Are the disaggregated revenue disclosures consistent with the messages provided in other parts of the annual report, or other documents? Has an IFRS entity correctly provided an explanation of material movements in contract assets and liabilities as required by IFRS 15 para 116-118? Has an IFRS entity disclosed its accounting policies for costs capitalised under IFRS 15, along with a breakdown by type of cost if relevant? Has an IFRS entity correctly provided disclosures for its remaining performance obligations required by IFRS 15 para 120? Consider completeness, e.g. does this reflect all signed contracts in its order book? Has an IFRS entity disclosed, in its accounting policy, how it considers the 'highly probable' threshold to be met for different types of variable consideration? Is the quantification of such estimates disclosed (such as sensitivities or ranges of possible outcomes)?

Disclosure considerations | Revenue from contracts with customers (continued)

Requirements		What should I be thinking about?
FRS 102 para 23.30(b)	FRS 102 requires revenue to be disclosed separately for the following revenue categories: the sale of goods, the rendering of services, interest, royalties, dividends, commissions, grants, and any other significant types of revenue.	Has an FRS 102 entity correctly disclosed separately the revenue categories specified in para 23.30(b) of the standard, e.g. sale of goods, rendering of services, interest, royalties, dividends, commissions, grants, and any other significant types of revenue?

Recent challenges from CRR team:

- Accounting policies should be provided for all significant revenue streams and describe the methodology applied, including the timing of revenue recognition, the basis for recognising any revenue over time, and any significant judgements made in applying these policies.
- Inflationary features in customer contracts and the corresponding accounting treatment should be described.

Disclosure considerations | Operating segments

Requirements		What should I be thinking about?
IFRS 8 para 20	An entity shall disclose general information on the reportable segments, which can be an individual operating segment or an aggregation of operating segments. This includes the basis of organisation, judgement made to aggregate segments and the types of products and services for each reportable segment. An entity shall disclose financial information about the reportable segments, including the reported segment measure of profit and loss, and reconciliations to the total amounts for the entity.	Is it clear whether the segments disclosed are an aggregation of operating segments or individual operating segments? If the former, is it clear how the aggregation has been performed? Are the products and services for each reportable segment disclosed? Is the segment's measure of profit or loss clear and reconciled to the entity's profit or loss? Are all material reconciling items identified and described?

Disclosure considerations | Financial instruments

Requirements		What should I be thinking about?
IFRS 9 para 4.1.1	IFRS 9 requires disclosure of how financial assets have been classified, including the business model and the 'solely payments of principal and interest' (SPPI) assessments. There is often insufficient or boilerplate disclosure of this in non-financial entities.	Does the accounting policy note or financial instrument note correctly disclose how the business model and SPPI are assessed and any key judgements? Is it clear whether trade receivables are held at amortised cost or fair value, and why?
IFRS 9 para 5.5.15	IFRS 9 allows for use of a simplified approach for trade receivables, contract assets and lease receivables. Although operationally simpler, the approach still must calculate the lifetime expected credit losses, including forward looking assumptions. Disclosure of this estimation, if quantitatively or qualitatively material, must be given. IFRS 9 suggests the use of a provision matrix for instruments that do not contain a significant financing component, see IFRS 9 IG20D, but this is not mandatory.	Does the accounting policy explain how the simplified approach has been applied to material trade receivables, contract assets and lease receivables? For material balances, are disclosures of the key inputs including forward looking assumptions sufficiently disclosed?
IAS 32 para 42 FRS 102 para 11.38A	A financial asset and a financial liability should be offset in the statement of financial position when, and only when both of the below criteria are met: i. there is a current, legally enforceable right to set off the recognised amounts, and ii. the entity intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. If both criteria are met, offsetting must be applied, it is not voluntary. If only one criteria is met (or none), offsetting cannot be applied.	If there are netted balances in the balance sheet (such as in respect of group banking arrangements), do the balances meet both the criteria for offsetting in IAS 32 para 42 / FRS 102 para 11.38A? If there are balances that do meet both the IAS 32 / FRS 102 offsetting criteria, have they been correctly netted in the balance sheet? Are balances offset or shown gross where there is intercompany cash pooling? This is an area that warrants further investigation for netting.

Disclosure considerations | Financial instruments (continued)

Requirements		What should I be thinking about?
IFRS 7 para 35F **IFRS 9 para BC48H**	IFRS 7 para 35F(a-b) requires disclosure on how the entity determine whether there has been a significant increase in credit risk. Entities are also required to disclose the definition of default, including the reasons for selecting those definitions in accordance with IFRS 9 BC48H.	Is the definition of default correctly disclosed? It is best practice to do this even if impairment is currently immaterial. If there are financial assets which use the general expected credit loss model (not the simplified approach), is there sufficient disclosure of the qualitative and quantitative factors used to determine whether there has been a significant increase in credit risk? This should be included even if there hasn't been a significant increase during the year.
IFRS 7 para 39	Unless liquidity risk is not material, IFRS 7 requires disclosure of liquidity risk in respect of non-derivative and derivative instruments: a. a maturity analysis for non-derivative financial liabilities (including issued financial guarantee contracts) that shows the remaining contractual maturities, b. a maturity analysis for derivative financial liabilities. The maturity c. analysis should include the remaining contractual maturities for those derivative financial liabilities for which contractual d. maturities are essential for an understanding of the timing of the cash flows, and e. a description of how it manages the liquidity risk in the above.	Are all financial liabilities correctly captured in the liquidity disclosure, including for example financial guarantees given? Are IFRS 16 lease liabilities correctly disclosed as a separate line in the maturity analysis or in their own note?

Disclosure considerations | Financial instruments (continued)

Requirements		What should I be thinking about?
IFRS 7 para B11D	IFRS 7 liquidity disclosures requires disclosure of contractual undiscounted cash flows in the maturity analysis. Therefore the total balance may not tie through to the balance sheet where discounted cash flows are disclosed.	Are the cash flows in the maturity analysis correctly disclosed using undiscounted cash flow values? Does the total of the cash flows in the maturity analysis tie back to the balance sheet? This may be correct if there is no material difference between discounted and undiscounted cash flows (for example because maturities are short) or there are no material transaction costs deferred on balance sheet. However, in other circumstances, if the maturity analysis ties back to the balance sheet, this implies there may be an error in the maturity analysis disclosure.
IFRS 7 para 35G	An entity should explain the inputs, assumptions and estimation techniques used to apply the impairment requirements of IFRS 9. For this purpose, an entity should disclose: a. The basis of inputs and assumptions and the estimation techniques used to: i. measure the 12-month and lifetime expected credit losses, ii. determine whether the credit risk of financial instruments have increased significantly since initial recognition, and iii. determine whether a financial asset is a credit-impaired financial asset. b. How forward-looking information has been incorporated into the determination of expected credit losses, including the use of macroeconomic information. c. Changes in the estimation techniques or significant assumptions made during the reporting period and the reasons for those changes.	Have the inputs, assumptions and estimation techniques been explained and disclosed in the financial statements?

Disclosure considerations | Financial instruments (continued)

Requirements		What should I be thinking about?
IFRS 7 para 21 and para 24A-24C	Hedge accounting disclosures shall provide information about: a. an entity's risk management strategy and how it is applied to manage risk, b. how the entity's hedging activities may affect the amount, timing and uncertainty of its future cash flows, and c. the effect that hedge accounting has had on the entity's statement of financial position, statement of comprehensive income and statement of changes in equity. The same level of aggregation or disaggregation the entity uses for disclosure requirements of related information in IFRS 7 and IFRS 13 shall be used. There are prescriptive and detailed disclosure requirements in IFRS 7.	Has an overview of the hedging relationships and strategies been disclosed? This particular point is also relevant for FRS 102 para 12.27. Is the quantitative impact, by risk category for each type of hedge, disclosed on how hedge accounting has impacted the primary statements in a tabular format? Common mistakes include presenting the movements on a net basis rather than on a gross basis as required by IFRS 7. Other common mistakes include presenting the movements in equity on a net basis rather than on a gross basis for cash flow hedges.

Recent challenges from CRR team:

- Material risks arising from financial instruments should be adequately disclosed, along with how these are managed. In particular, this includes risks driven by inflation and rising interest rates, and related hedging arrangements.
- Information about banking covenants should be provided unless the likelihood of any breach is considered remote.

Disclosure considerations | Fair value measurements

Requirements		What should I be thinking about?
IFRS 13 para 72	IFRS 13 requires disclosure of a fair value hierarchy for the inputs to valuation techniques used to measure fair value. The use of relevant observable inputs is maximised and the use of relevant unobservable inputs is minimised. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs).	Has the entity taken a step back to critically assess how items are classified within the fair value hierarchy? Are there any items in level 1 that are not cash, cash equivalents, listed debt or equity or government bonds, as these are likely to be incorrectly classified in level 1? Are there investment properties recognised as level 2 which should be level 3? For any items in level 3, have the additional disclosure requirements around sensitivity to changes in inputs been provided? For financial assets and liabilities, the sensitivity analyses should reflect reasonably possible alternative assumptions.

Recent thematic review linked to fair value measurements.

Fair value measurement

Disclosure considerations | Business combinations

Requirements		What should I be thinking about?
IFRS 3 para 45 and B67 FRS 102 para 19.25	A common error is not disclosing required information, including estimation uncertainty, when a business combination purchase price allocation exercise is not yet finalised. If the purchase price allocation is not finalised, the company should consider whether there is a significant estimate to disclose in terms of how things might change when the purchase price allocation is finalised.	Is there a business combination where the purchase price allocation is not finalised before the financial statement are signed? If so, has this fact been correctly disclosed, including any significant estimation or judgements used in the current financial statements?

Recent thematic review linked to business combinations

Business combinations

Disclosure considerations | Employee benefits

Requirements		What should I be thinking about?
IAS 1 para 32 FRS 102 para 2.52	If an entity has one defined benefit (DB) scheme in surplus and another DB scheme in deficit, it should present them separately as assets and liabilities on the balance sheet unless it has a legally enforceable right to use the surplus from one scheme to settle obligations under the scheme in deficit and has an intention either to settle net or to realise the plan surplus and settle its obligation under the other plan at the same time. For a FRS 101 or 102 reporter that presents its balance sheet in accordance with one of the Companies Act formats, it should disclose any DB pension scheme surplus in current assets, and not fixed assets (a fixed assets classification is not allowed under the Companies Act definition in CA06 SI 2008 / 410 Sch 10).	If there is one DB scheme in surplus and another DB scheme in deficit, has this been correctly presented separately as assets and liabilities on the balance sheet, unless it has a legally enforceable right to do so and has the intention to settle net or to realise the surplus and obligation at the same time? If the Companies Act formats apply, is the DB pension surplus correctly disclosed in current assets (not fixed assets)?
IAS 19 para 142	IAS 19 requires reporters to subdivide each class of plan asset into those that are quoted and those that are unquoted.There is no similar requirement in FRS 102.	Where IAS 19 is applied, have the plan assets been subdivided into those that are quoted and those that are unquoted?
IAS 19 para 145(a)	IAS 19 requires reporters to disclose a sensitivity analysis for each significant actuarial assumption showing how the defined benefit obligation would have been affected for reasonably possible changes. There is no similar requirement in FRS 102.	Where IAS 19 is applied, has a sensitivity analysis been disclosed for each significant actuarial assumption showing how the defined benefit obligation would have been affected and are the changes reasonably possible?

Disclosure considerations | Leases

Requirements		What should I be thinking about?
IFRS 16 para 59	In addition to other required disclosures, a lessee shall disclose additional qualitative and quantitative information about its leasing activities necessary to give a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the lessee. There are also additional qualitative and quantitative information disclosure requirements for lessors.	For lessees, have all relevant information been disclosed to give a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows? This includes future cash outflows to which the lessee is potentially exposed that are not reflected in the measurement of lease liabilities, including exposure arising from variable lease payments, extension options and termination options, residual value guarantees and leases not yet commenced to which the entity is committed.

Disclosure considerations | Income taxes

Requirements		What should I be thinking about?
IAS 12 para 81(c) FRS 102 para 29.27(b)	A numerical reconciliation between the tax expense and the statutory profit is required. This reconciliation should exclude temporary / timing differences as these are already accounted for in the deferred tax asset or liability.	Is the reconciliation to the total tax expense (including current and deferred tax) rather than just current tax expense? Does the tax reconciliation incorrectly contain items that are not, in fact, reconciling items? A temporary / timing difference is reflected in a deferred tax asset or liability and therefore cannot be a reconciling item.
IAS 12 para 71 and 74 FRS 102 para 29.24 and 29.24A	An entity shall offset current tax assets and current tax liabilities if, and only if, the entity has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. An entity shall offset deferred tax assets and deferred tax liabilities if, and only if, the entity has a legally enforceable right to set off current tax assets against current tax liabilities, and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity, or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.	Are the entity's tax balances presented on a net basis when the conditions for offsetting are met? This presentation is mandatory and not an accounting policy choice.

Disclosure considerations | Income taxes (continued)

Requirements	What should I be thinking about?

Recent challenges from CRR team:

- Forward-looking assessments to support the recovery of deferred tax assets should be based on appropriate assumptions about future taxable profits. Where companies have been loss-making, the nature of the convincing evidence supporting recognition of the assets must be disclosed.
- Tax-related disclosures throughout the report and accounts are consistent, and material reconciling items in the effective tax rate reconciliation are adequately explained.

Recent thematic review linked to income taxes.

Deferred tax assets

Disclosure considerations | Non-current assets held for sale and discontinued operations

Requirements		What should I be thinking about?
IFRS 5 para 33 FRS 102 para 5.5B	If there is a discontinued operation, the discontinued profit or loss disclosed in the Income Statement should be for the entire period, not just from the date it was discontinued. The gain or loss recognised on remeasurement or disposal of the assets or disposal group(s) constituting the discontinued operation should be included within the result of discontinued operations in the Income Statement.	Is the discontinued profit or loss in the Income Statement correctly showing the results for the full period of the financial statements, not a pro-rata result from the date of discontinuance? Is the gain or loss recognised on remeasurement or disposal of the assets or disposal group(s) constituting the discontinued operation included within the result of discontinued operations in the income statement and disclosed separately in the notes to the financial statements?
IFRS 5 para 38 FRS 102 para 4.14	Under IFRS, an entity shall present a non-current asset classified as held for sale and the assets of a disposal group classified as held for sale separately from other assets in the statement of financial position. The liabilities of a disposal group classified as held for sale shall be presented separately from other liabilities in the statement of financial position. Those assets and liabilities shall not be offset and presented as a single amount. Under FRS 102, if an entity has a binding sale agreement at the reporting date for a major disposal of assets, or a disposal group, a description of the asset(s) or the disposal group, a description of the facts and circumstances of the sale, and the carrying amount of the assets or, for a disposal group, the carrying amounts of the underlying assets and liabilities shall be disclosed.	Have such assets and / or disposal groups been presented and disclosed appropriately according to the relevant applicable framework? For FRS 102 reporters, assets (as part of a major disposal) or disposal groups cannot be shown separately on the balance sheet.

Disclosure considerations | Impairment of assets

Requirements		What should I be thinking about?
IAS 36 para 130	For assets or CGUs where an impairment has been recognised, the amount of impairment recorded or reversed must be disclosed, including the circumstances leading to that impairment or reversal. The recoverable amount methodology must also be disclosed.	Has each CGU been explained sufficiently well, including a description of the current and former way of aggregating assets and the reasons for changing the way the cash-generating unit is identified (if applicable)? Are the disclosures specific to the recoverable amount methodology? There are different quantitative and qualitative disclosure requirements for fair value less costs of disposal and value in use.
IAS 36 para 134(f) and para 135(e)	For each CGU that contains goodwill or intangible assets with indefinite useful lives, if a reasonably possible change in the impairment assessment assumptions could erode headroom to nil, additional disclosure is required. This includes the amount by which the recoverable amount exceeds its carrying amount, the value assigned to the key assumption, and the amount by which the value assigned to the key assumption must change, after incorporating any consequential effects of that change on the other variables used to measure recoverable amount, in order for the recoverable amount to be equal to its carrying amount.	Does the entity have any assets or CGUs where a reasonably possible change in the impairment assessment assumptions would erode headroom to nil? If so, have sufficient disclosures been made in relation to this, including a sensitivity analysis? This is separate from the requirement under IAS 1 para 125 which requires disclosure of information about the assumptions that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Disclosure considerations | Impairment of assets (continued)

Requirements	What should I be thinking about?
Recent challenges from CRR team: • Key inputs and assumptions applied in impairment testing should be disclosed and explained, including the relevant values and sensitivity analysis, where required. Additional disclosures are required where headroom is low, and heightened uncertainties over inflation, consumer demand and interest rates may drive a wider range of reasonably possible outcomes for future cashflows and discount rates. Users should be able to understand how assumptions are consistent with discussion of uncertainties elsewhere in the report. • Impairment testing methodology should comply with IFRS, particularly ensuring that the grouping of assets into cash generating units (CGUs) is appropriate, the treatment of inflation in the discount rate and cash flows is consistent; and cash flows in 'value in use' calculations reflect the current condition of assets, before any future enhancement expenditure.	
Recent thematic review linked to impairment of assets.	Discount rates

Disclosure considerations | Share-based payments

Requirements		What should I be thinking about?
IFRS 2 para 43A - 43C and para B45 - B61 FRS 102 para 26.1 - 26.1A	Where a parent company is settling share-based payment awards for employees of its subsidiaries, it should recognise the share-based payment charge in its individual accounts as an addition to the cost of the investment in the subsidiary and not as an expense in its own Income statement. The stated accounting policy in the individual accounts should reflect this treatment.	Where a parent company is settling share-based payments for employees of its subsidiaries, is the parent correctly recognising the charge as an increase in the investment in the subsidiary and not as an expense in its own Income statement?

Disclosure considerations | Related party disclosures

Requirements		What should I be thinking about?
IAS 24 para 9 FRS 102 App I: Glossary	IFRS and FRS 102 define Key Management Personnel as ‘those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity’. This includes non-executive directors.	Do the Key Management Personnel disclosure correctly include non-executive directors and other members of senior management, not just executive directors?
IAS 24 para 17 FRS 102 para 33.7	IFRS reporters need to disclose key management personnel compensation in total and for each of the following categories: short-term employee benefits; post-employment benefits; other long-term benefits; termination benefits; and share-based payment UK GAAP reporters only need to disclose key management personnel compensation in total.	For IFRS reporters, is the compensation properly reported in each of the five categories?
IAS 24 para 9 FRS 102 para 33.2	Where an entity has acquired or disposed of a subsidiary during the period, or has increased or decreased its ownership stake to or from wholly-owned, it must consider which transactions are disclosable as related party transactions. Disclosure can be different for related party transactions during the year compared to amounts due to and from related parties at the year end.	If there has been an acquisition or disposal of a subsidiary during the period, or ownership stake has changed to or from wholly-owned, have the transaction which are disclosable as related party transactions been appropriately considered? If a related party has been disposed during the year, but there are balances outstanding at the year end, have these been incorrectly included in the related party disclosure? If a related party has been acquired during the year, and a pre-acquisition balance is outstanding at the year end, do the financial statements correctly include this in the related party disclosures? In the consolidated accounts, do the financial statements incorrectly disclose subsidiary transactions in the related party disclosures?

Disclosure considerations | Directors remuneration

Requirements		What should I be thinking about?
CA06 SI 2008 / 410 Sch 5 Part 3 para 7(4)	For the disclosure of directors' emoluments under the Companies Act: • Long-term benefits must be disclosed in the period in which the director becomes entitled to receive them, i.e. when they vest. • Gains on exercise of share options must be disclosed in the period in which the option was exercised. Both treatments result in a different recognition to the Income Statement recognition, where awards are recognised over the vesting period. This creates a difference between the directors' emoluments disclosure and the accounting treatment, including the key management personnel disclosure.	In the directors' emoluments disclosure are the long-term incentives correctly the amount the directors are entitled to receive and disclosed in the year they become receivable, rather than the Income Statement amount which is spread over the vesting period and likely to be different? The timing of disclosure is also different from that in the single total figure table for the purposes of the Directors' Remuneration Report. Do the gains on exercise of share options correctly only relate to options exercised during the period, rather than the Income statement amount which is spread over the vesting period and likely to be different? Are gains on exercise of share options included for all directors who were on the Board at any time during the year (not just those on the Board at the year end)? Is the remuneration included for all directors' qualifying services (e.g. as a director of or in the management of a subsidiary)?
CA06 Companies Act Part 15 Ch 4 para 412(5)	If entity A's directors' remuneration is paid by another group entity, entity A is expected to 'make reasonable efforts' to disclose the directors' remuneration. The information may be obtained from a director's service agreement that stipulates what the director is paid in respect of his services to entity A. If there is no such agreement, the subsidiary or directors should 'make reasonable efforts' to obtain the information. Companies Act requires directors to share this information where required for regulatory reasons. If, using reasonable efforts, entity A cannot obtain this information, then they should disclose this fact.	If the entity has not disclosed directors' remuneration because it is paid by another group entity, is there evidence that the entity has 'made reasonable efforts' to try to obtain the information from the other group entity or the directors?

Appendix

Appendix

Definitions:

CRRT – Corporate reporting review team

Thematic review links:

Climate-related metrics and targets

IFRS 13 Fair value measurement

Business Combinations

Deferred Tax

Earnings per Share (IAS 33)

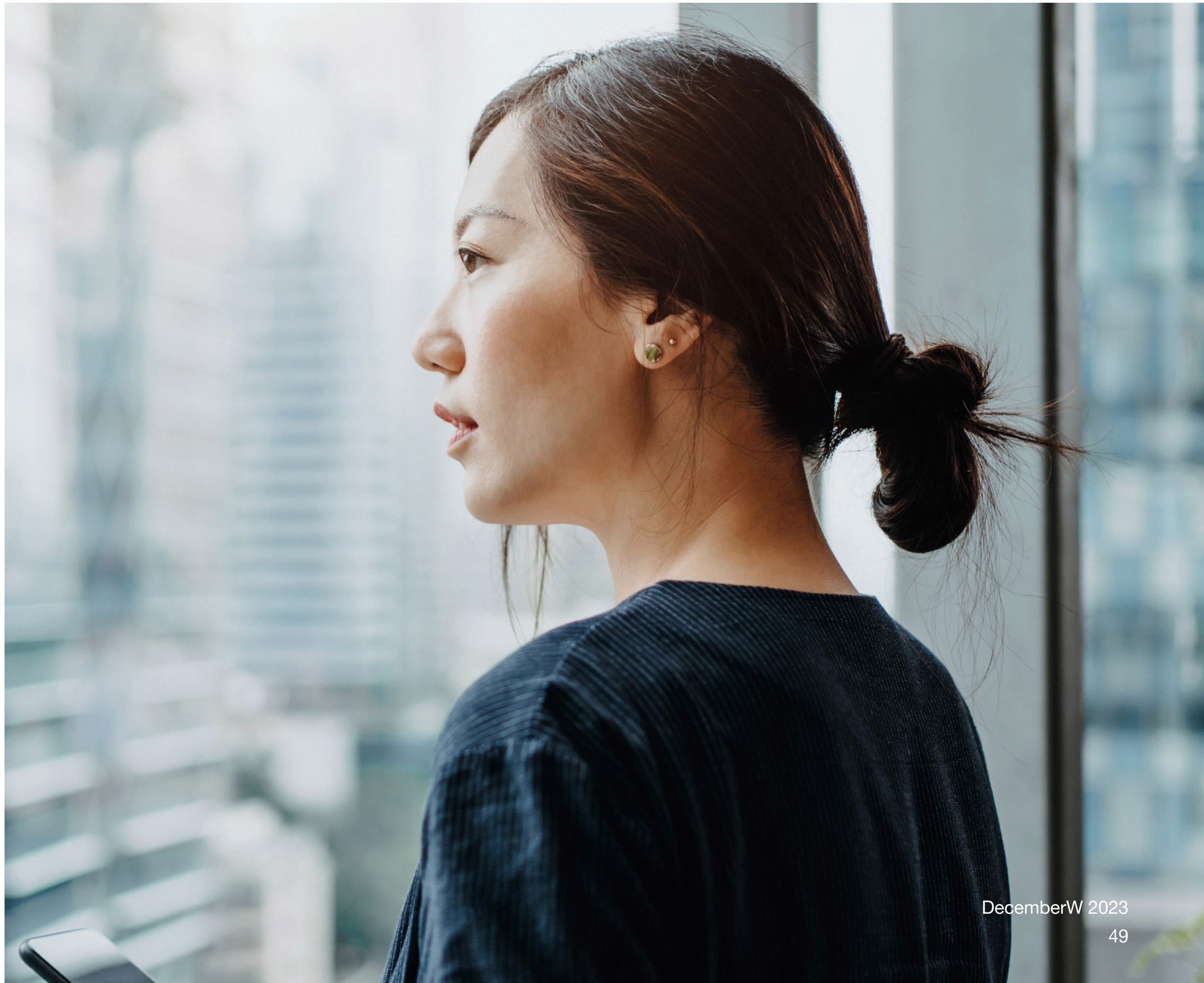
TCFD disclosures and climate in the financial statements

Judgements & Estimates: Update

Discount rates

IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'

Viability and Going Concern



Thank you

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