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FRC to amend accounting for debt instruments

by Richard Crump 14 Feb 2014

RESTRICTIVE rules on how companies should measure debt instruments are to be lifted in order to reduce the reporting burden and avoid unnecessary cost and effort for businesses, the UK accounting watchdog has said.

The FRC has issued proposals that will reduce the need for businesses to measure debt instruments at fair value.

The exposure draft, *FRED 54: Draft Amendments to FRS 102 - Basic financial instruments* proposes to amend the conditions that determine whether debt instruments can be measured at amortised cost or fair value under new UK and Irish GAAP (FRS 102).

Depending on the terms and conditions of the debt instruments used by companies, new UK and Irish GAAP determines whether amortised cost or fair value is the appropriate method of measuring them.

Since the FRC issued new UK and Irish GAAP in March 2013 for mandatory implementation in 2015, businesses and their advisers have noted that the requirements setting out when a debt instrument can be measured at amortised cost may be overly restrictive.

The FRC has therefore reconsidered the requirements to reduce the reporting burden and avoid unnecessary cost and effort for businesses.

"We aim to finalise the new requirements by this summer in order to allow as much time as possible for implementation," said Roger Marshall [pictured], FRC board member and chair of the FRC's Accounting Council.

The comment period for these proposals closes on 30 April 2014. The amendments are proposed to be effective from the same date as the new UK and Irish GAAP, 1 January 2015.