

Introduction



Over the past decade, companies worldwide have navigated numerous changes in financial reporting standards. In March 2024, companies in the UK and Ireland faced a significant shift as the Financial Reporting Council (FRC) introduced amendments to FRS 102.

These changes have captured the attention of finance and accounting teams, auditors, and other stakeholders, highlighting the need for effective implementation strategies. This ebook is designed to guide organizations through the practical aspects of adopting the revised FRS 102, offering insights into best practices and innovative solutions.

Let's explore AI-driven automation and other strategies to help companies streamline their transition and ensure they are fully prepared for the go-live date of January 1, 2026. By leveraging these best practices, businesses can not only comply with the new standards but also optimize their financial reporting processes.

Strategic lessons from past standards

The adoption in years past of standards like IFRS 16 and ASC 842 have provided a wealth of best practices for companies making the transition to the new FRS 102. While every company is unique and will handle the transition somewhat differently, there are some common lessons that can be learned.

One important element to consider is timing. Some companies will start implementing a year or two ahead of time, working with internal and external parties both to manage the transition and to put a plan in place for operating with the new standards on a Business as Usual (BAU) basis.

Unfortunately, many companies delay transition. They end up trying to execute an expedited plan while up against a quarterly or annual reporting deadline. Trying to resolve questions about the standards on the last day of a close cycle is certainly not a best practice.



Isaac Heller
CEO & Co-Founder
at Trullion

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Every company handles implementation differently. Some companies will start getting ready a year or two ahead of time, but a lot of them push it off until the last minute and they have to implement in a very short period of time. We’ve seen some pitfalls there.”

There is actually no compelling reason to complete a standards adoption initiative in a compressed period of time. A slower, more methodical approach to the transition is more thorough, and costs the same as an expedited approach.

“The nice thing is that there is a lot of precedent for implementing these new compliance standards and navigating the interplay of the processes and change management—with help from technology and automation,” says Heller.



Trullion tips: advice from our experts



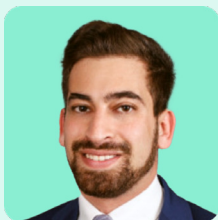
“Managing lease modifications under IFRS 16 / ASC 842 is challenging without software. Identifying modifications and performing tedious calculations in Excel can be time-consuming. A dedicated system is essential for companies with constantly changing lease portfolios.”

Jordan Sklar, Solutions Consultant at Trullion



“Collaborate with your auditors to understand how FRS 102 impacts your current processes. Use a system like Trullion to manage complex calculations under the new standard. When it came to IFRS 16, some companies partnered with consultants up to 18 months in advance to ensure timely compliance and efficient processes.”

Amanda Nessel, Solutions Consultant at Trullion



“Selecting the right implementation partner is crucial—IFRS 16 is not just an IT project; it’s also an accounting challenge. Having a team with deep technical accounting expertise ensures informed judgments and a seamless transition to the new standard.”

Daniel Cohen, Advisory Partner at Trullion

Role of advisory firms

Accounting advisory firms can be an excellent option for companies looking to achieve accelerated compliance with the revised FRS 102. These firms offer lessons based on past experience with a wide range of companies. They have helped many companies get up to speed and build a process that will be easy to manage over the long term.

Typically, an advisory firm will begin by hosting in-person or virtual workshops with a company’s finance team to determine the scope of the project and begin upskilling staff.

They will then follow that with an impact assessment (see section 3 for more detail) to assess the impact of the new standards on the company’s portfolio of contracts. They collaborate closely with their clients on the preparation of accounting papers, quantification of transition adjustments, and the preparation of new disclosures.



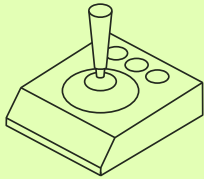
Companies are going to have to set up a project, do an impact assessment, and get prepared ahead of the effective date. The first round of mandatory changes won’t be until January 2026, but although that feels quite a ways off, don’t underestimate the amount of work that needs to be done.

Case study	hmd.
How HMD Global (Nokia) Accelerated IFRS 16 Compliance with Trullion	

	Ian Greenwood Partner, Accounting Advisory Services, KPMG
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AI-powered tools can ease the transition

AI-powered accounting tools can help companies make the transition to FRS 102 in a number of ways.



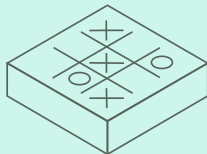
Streamlined data extraction saves time and enhances accuracy

AI uses Optical Character Recognition (OCR) and other tools to efficiently extract key terms and financial information from leases and other contracts. Replacing manual data entry greatly reduces the incidence of human errors, and of course is much faster. Once the data is extracted, AI tools facilitate verification by reviewing the data against predefined rules, ensuring accuracy and compliance.



Efficient management of ongoing contract modifications

AI-extracted data lives in a structured format that is easy to manipulate within accounting systems. All relevant information is accurately captured and readily available for financial reporting and analysis. This means companies can easily manage complex contract changes at scale while lowering the number of errors.



Real-time compliance strategy management

AI enables finance and accounting teams to manage stakeholder expectations in real time including auditors. AI empowers organizations to understand how the new standards affect financial metrics and obligations downstream from debt, profit, and other important measures of financial performance. Embracing AI in lease management is not just a technological upgrade but a strategic move towards smarter and more effective business operations.

Practical steps for transition

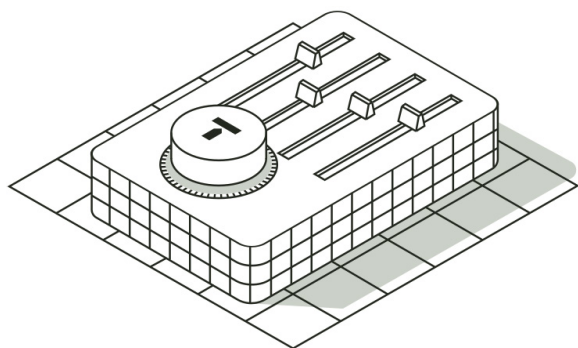
Initial impact assessment

The first step for companies planning to adopt the new amendments to FRS 102 is to perform a qualitative and quantitative impact assessment on their current business and financial statements.

One output of this effort should be a lease model that calculates the impact of the changes to FRS 102 and prepares the required journal entries on an ongoing basis.

Remember that FRS 102 does not only affect revenue and leases. There are a range of changes that will require individual accounting judgments to be made.

Review and revise lease accounting papers and policies, providing support with key accounting judgments. Consider the impact on net debt, interest coverage ratio, EBIDTA, and gearing.



Accounting system and process updates

The adoption of a new set of accounting standards present both a challenge and an opportunity for existing processes and systems.

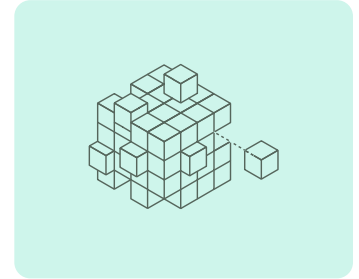
In the case of FRS 102, many companies will find their legacy systems are not flexible enough to handle changing lease terms, different types of leases, and other changing regulatory requirements. But these challenges also present an opportunity for companies and accounting firms to upgrade their technological capabilities to something more appropriate for their business.

Leading UK audit firm RSM UK, has taken note of what they learned from previous compliance updates and pivoted to a more efficient process this time around. “Actually working your way through the leases, calculating what the adjustments are and creating the journals is going to be seriously time-consuming, and this is where AI can really make a difference. Honestly, this is the main reason that RSM is using Trullion. We don’t want to take the time to do all that lease accounting manually. We went through it during the implementation of IFRS 16, and we don’t want to suffer like that again! With the new FRS 102, we are going to get the job done efficiently by using the most modern technology,” says Danielle Stewart OBE, Partner, Head of Financial Accounting Specialists at RSM.

Having the right accounting system can save many hours and headaches when transitioning to FRS 102. But the process of selecting a system requires a high level of diligence. Here are some important points to consider when evaluating an accounting system:

Data collection

The process of compliance with FRS 102 will begin with gathering data from various sources such as billing or customer relationship management systems and Excel files from across the company. Oftentimes this data is completely unstructured. AI can help compare and align multiple data systems in real time, saving many hours of manual work. Make sure any accounting solution has a full suite of data collection tools.



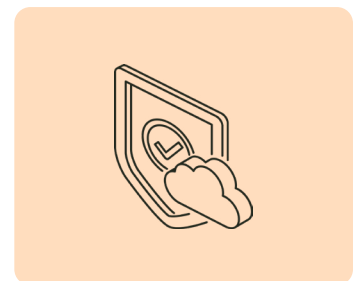
Accounting judgments

Compliance with FRS 102 requires a significant amount of human judgment—Remeasurements with complex leases or sales contracts require a lot of legwork. It's also important to document accounting papers, judgments and policies as a company moves through the transition, because auditors will expect a clear story about the decisions that Finance teams have made. With its ability to handle large data sets, AI-driven automation can support human judgment, detecting subtle signals that humans may miss, detecting anomalies and boosting accuracy. AI also makes it easier to document every judgment call. Additionally, with AI handling many of the simple rules-based tasks, accounting professionals will gain time and mental capacity to focus on more high-value topics.



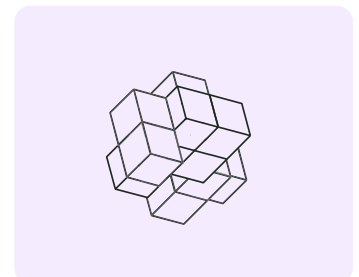
Data integrity

While it may seem like table stakes when evaluating an accounting software solution—and indeed, the vast majority of modern solutions have rock solid data security—it is worth bearing in mind that many older or lighter accounting solutions may not have robust data integrity built in. It's worth digging deeper when evaluating a new system.



Integration

It goes without saying that Accounting teams need access to data from other parts of the business, such as Sales. Any accounting software solution should be able to seamlessly integrate with other financial systems or databases within an organization. Otherwise, companies will encounter data silos, inefficient workflows, and a higher likelihood of errors as they transition to FRS 102.



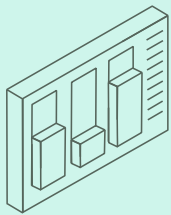
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While many technology solutions can impress in a demo, it's crucial to dig deeper. Ask about how the tool handles complex scenarios, advanced features like sensitivity analysis, and filtering capabilities. Also, consider how long your customer base has been using the tool and what their experience has been.

Isaac Heller, CEO & Co-Founder at Trullion

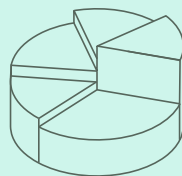
Financial statement preparation

Financial disclosures will change as companies adopt the updated FRS 102 guidelines.



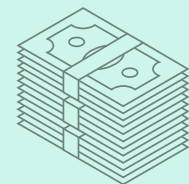
Balance sheet

With all long-term and high-value leases moving onto the balance sheet, it is most likely going to increase when companies adopt FRS 102.



Operating profit

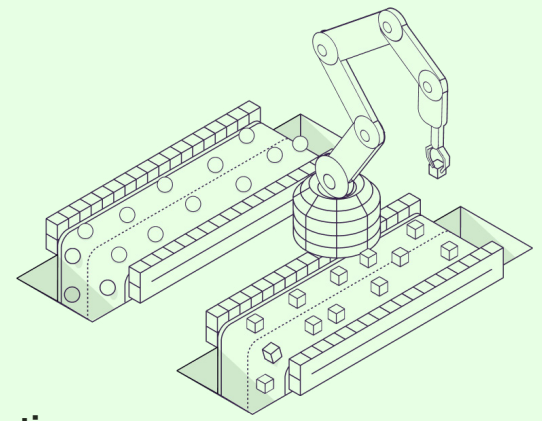
With operating leases now considered as financing agreements, operating expenses will decrease and operating profits will increase.



Cash flow statement

Total cash flow should remain the same, but it will be categorized differently.

Conclusion



Implementing the changes to financial reporting practices in the UK and Ireland may seem daunting, but with the right approach and tools, the transition can be smooth and efficient. Focusing on effective implementation and best practices is key to ensuring compliance and optimizing financial reporting processes.

Implementation strategies

A methodical, measured approach is essential for a successful transition to the new FRS 102 standards. It's important to start early, allowing ample time to adapt systems and processes. Establishing robust data management practices will be crucial, particularly in areas like lease accounting and revenue recognition. AI-driven automation can play a pivotal role in managing data efficiently, identifying patterns and anomalies, and handling routine tasks, freeing finance professionals to focus on strategic, high-value activities.

Best practices

Leveraging technology and best practices can greatly enhance the transition process. Companies should invest in systems that support transparency and compliance, ensuring that finance and accounting teams have the tools they need to make informed judgments. By implementing best practices, organizations can improve visibility into their finances and ensure compatibility with other companies in the marketplace.

The future of financial reporting in the UK and Ireland will continue to evolve, with a focus on transparency and flexibility. By embracing these changes and utilizing the right technology, companies can not only achieve compliance but also gain a competitive advantage in the marketplace.

About Trullion

[Get in touch](#)

Trullion is an AI-powered accounting platform that automates financial workflows for finance teams, accountants, and auditors, enhancing efficiency, accuracy and collaboration. Founded in 2019 and headquartered in New York, with offices in Tel Aviv and London, Trullion is backed by Aleph, Third Point Ventures, Greycroft, StepStone Group, and leading global CFOs.





For more information



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