

RESTATEMENTS AND RECONCILIATIONS ON TRANSITION

Reconciliation of equity 1-1-2014 for KINDLY Limited

	Old UK GAAP		FRS 102
	£	£	£
Intangible assets	340,000	(68,000) (1) 45,900 (4)	317,900
Tangible assets	327,080	279,480 (2) 552,500 (3) (45,900) (4)	1,113,160
Stock	219,300		219,300

Surplus for year ended 31-12-2014

	£
Profit as reported under previous UK GAAP	292,400
Goodwill amortisation (340,000/5) (1)	(68,000)
Depreciation adjustment: buildings (2) (£229,500/50 – 408,000/40)	<u>(5,610)</u>
Surplus under FRS 102	<u>218,790</u>

Notes

1. Under FRS 10 goodwill was not amortised and was subject to annual impairment reviews. Amortisation is mandatory under FRS 102, and as its useful life cannot be reliably measured, it is being amortised over the default maximum period of five years.

2. Buildings with a net book at 1-1-2014 of £128,520 have been restated at their fair value of £408,000 which has been treated as their deemed cost at the date of transition to FRS 102. The deemed cost is being depreciated prospectively over its remaining life of 40 years.

3. Land with a carrying value (cost) of £161,500 at 1-1-2014 was restated at its fair value of £714,000 which has been treated as its deemed cost at 1-1-2014.

4. Expenditure on software previously capitalised under FRS 15 (& UITF 29) as tangible assets have been reclassified as intangibles.

Alternative interpretations/treatments

Land & buildings

The restatements to fair value as a deemed cost at the date of transition are optional, and the option does not require consistent application

Goodwill

It can be argued that, as the goodwill at 1-1-2014 has already existed for more than five years, it should all be written off at the transition date against opening equity.

Software

FRS 102 is silent as to whether software is tangible or intangible. The reclassification above has been done because software and websites better suit the definition of an intangible asset (“without physical substance”) and because IFRS (the closest available equivalent GAAP regime) recognises them as intangible. It could be argued that as they are tangible under the old UK GAAP regime, and FRS 102 is silent, no adjustment is required.