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SUMER
NORTHERN IRELAND

FRS 102: What the New Revenue and Lease Rules Mean for Your Business



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Significant changes to FRS 102 are now in effect for accounting periods beginning on or after 1 January 2026, bringing UK and Irish GAAP closer to international accounting standards. The key revisions introduce new approaches to revenue recognition and lease accounting that could have notable impact on how businesses report their financial performance and position.

While the scale of change will vary between organisations, now is the time for FRS 102 reporters to understand the implications and start preparing.

Revenue Recognition Changes

The revised FRS 102 adopts a five-step revenue recognition model, closely aligned with IFRS 15: Revenue from Contracts with Customers.

The key shift is away from the traditional focus on the transfer of risks and rewards and towards identifying performance obligations and recognising revenue when control of goods or services passes to the customer.

What Does This Mean for Businesses?

For many organisations, the impact may be relatively limited. However, businesses with more complex contracts, multiple deliverables, or long-term arrangements will need to reassess how and when revenue is recognised.

Businesses most likely to be affected include those with more complex or long-term customer contracts, such as construction contracts, software or IT implementation projects, maintenance and support arrangements, bundled product and service packages, milestone-based billing, or contracts with variable pricing or performance incentives.

The new framework is more detailed and prescriptive, helping to improve consistency across financial reporting but reducing some of the flexibility available under the current rules.

Lease Accounting Changes

The revised lease accounting effectively brings leases ‘on-balance sheet’ for lessees, closely aligned with IFRS 16: Leases.

Rather than recording lease payments as a single operating expense, businesses will be required to recognise:

- A right-of-use asset
- A corresponding lease liability
- Depreciation charge on the asset
- Interest expense on the liability

There are limited exemptions available for short-term leases and certain low-value assets.

What are the Implications?

Companies most likely to have a significant impact are those with property leases, vehicle fleets, plant and machinery, equipment leases, or material IT and office equipment arrangements.

Bringing leases onto the balance sheet is expected to affect several key financial metrics, including:

- EBITDA
- Gearing ratios
- Interest cover
- Borrowing and covenant calculations

Businesses should also be aware of potential tax implications, particularly where tax treatment follows the accounting treatment of leases.

How Can Businesses Prepare?

With the changes approaching, early planning will be essential.

Businesses should consider:

- Reviewing existing revenue and lease contracts to identify areas of impact
- Assessing how the new requirements could affect financial reporting and key performance indicators
- Updating accounting systems and processes to ensure compatibility with the revised standards
- Training finance teams on the new models, terminology and disclosure requirements
- Seeking professional advice early to avoid surprises during implementation

Other Changes to be Aware of

While the most significant changes relate to revenue recognition and lease accounting, the revised FRS 102 also includes a number of other updates that businesses should be aware of. These include changes to presentation and disclosure requirements, updates to fair value measurement, amendments affecting financial instruments and business combinations, and revised terminology to align more closely with international accounting standards. For many businesses, these changes may be less significant than the revenue and lease updates, but they could still affect financial statement disclosures, accounting policies and the level of information required during year-end reporting.

How Sumer NI Can Help

The changes to FRS 102 represent one of the most significant updates to UK and Irish GAAP in recent years. Understanding the impact on your business now will help ensure a smoother transition and reduce the risk of unexpected financial reporting issues.

At Sumer NI, our experienced advisers can help you assess the implications of the new revenue and lease accounting requirements, review existing arrangements, and develop a practical implementation plan tailored to your organisation.

Get in touch with the Sumer NI team today to discuss how these changes could affect your business and how we can support your transition.



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