

# Periodic review of FRS 102

## Industry specific impacts

Significant changes to UK GAAP  
becoming effective 1 January 2026



### Construction & Property

Changes to revenue recognition and lease accounting may impact long-term contracts and lease arrangements. Construction companies will need to reassess contract margins and revenue timing, potentially leading to fluctuating margins over the contract period. Contract balances and WIP could also be affected. Property firms will need to consider new rules for establishing fair value of assets, including investment properties, and additional guidance for lessor accounting.



### Energy, Infrastructure & Sustainability

Entities engaged in energy and infrastructure sectors will need to carefully review their contracts with customers and capitalise certain leased assets. Recognition of losses on joint ventures and associates may increase due to inclusion of long-term loans.

Service concession accounting by operators under old UK GAAP remains unchanged, but entities applying FRS 102 will need to revisit new revenue recognition rules which may impact construction and operating services. Derivative liabilities will require adjustments for entity-specific credit risk.



### Engineering & Manufacturing

Engineering and manufacturing businesses will face changes in revenue recognition, particularly for contracts involving bundled goods and services. Identifying performance obligations could be complex. This may potentially alter timing and value of revenue and contract balances recognised. Lease accounting changes will also affect balance sheets, with lease liabilities and right-of-use assets recognised.



### Financial Services

In addition to reviewing revenue recognition rules, financial services businesses will need to adapt to new lease accounting and fair value measurement rules. The recognition of lease liabilities and right-of-use assets will impact balance sheets and key performance indicators like EBITDA. Changes in fair value measurement rules will provide clarity but may require adjustments in financial reporting processes. For financial liabilities measured at fair value, credit risk adjustments will be required.



## Food & Drink

Food and drink sector entities may experience changes in revenue recognition, particularly for sales involving variable consideration (including discounts and voucher sales) and a right of return. Lease accounting changes will impact financial metrics, with lease liabilities and right-of-use assets recognised on balance sheets. These changes will require review of financial reporting systems and processes.



## Retail

Retail businesses will be significantly impacted by the new lease accounting model, as most leases will be recognised on balance sheets. This change will affect EBITDA and net debt ratios, requiring adjustments in financial reporting. Accounting for a large number of leases will require automation. Revenue recognition changes may affect timing of revenue, allocation of discounts and additional balances to be recognised in relation to refund assets/liabilities and sales of gift vouchers.



## Technology & Life Sciences

Technology and life sciences entities will require detailed contract analysis, identifying performance obligations where multiple elements are included, allocating transaction price and determining the timing of revenue recognition. Long-term contracts cannot benefit from transition exemptions if they are not complete at the date of initial application. Special rules will apply to licences income, including sales-based and usage-based royalties. Lease accounting changes may result in increased liabilities and assets reported on balance sheets impacting net assets. New guidance on accounting and measurement of share-based payments and business combinations (which will be important for future investors or buyers) would need to be reviewed. These changes will affect financial metrics and may impact funding covenants.



## Hospitality & Tourism

For hospitality and tourism businesses, which often have numerous lease and/or sub-lease agreements for properties, furnishings and equipment, new changes may result in a substantial increase in reported assets and liabilities. This will also impact financial metrics like EBITDA and net debt. Revenue recognition changes will require careful evaluation of bundled services and variable consideration (provision of discounts).



## Medical & Healthcare

Healthcare providers will need to assess new revenue recognition rules, particularly for complex contracts involving multiple services. Lease accounting changes will affect balance sheets, requiring the recognition of lease liabilities and right-of-use assets for medical equipment. These changes will require updates to the tools and practices used for financial reporting.



## Professional services

For professional services firms that lease office space and equipment, new lease accounting may impact key financial metrics such as EBITDA and net debt ratios. Revenue recognition rules will require detailed contract analysis and potentially altering revenue timing and accounting for disbursements. These changes could have a significant impact on reporting systems and processes.



## Rural

Rural businesses will need to evaluate new guidance on what is included in the cost of biological assets. Rules on fair value measurement of assets have also been revised. In addition to revenue recognition, leased agricultural equipment may entail recognition of liabilities and right-of-use assets on balance sheets. These changes could impact financial results and reporting methodologies.

## Our team

Our Financial Reporting Advisory team has over 20 years of experience in helping organisations of all sizes manage their financial reporting needs.



**Barry Masson**

Audit & FRA Partner

T: 0131 220 2203

E: [barry.masson@jcca.co.uk](mailto:barry.masson@jcca.co.uk)



**Irina Hughes**

FRA Director

T: 0131 220 2203

E: [irina.hughes@jcca.co.uk](mailto:irina.hughes@jcca.co.uk)



**Alison McCurrach**

FRA Senior Manager

T: 0131 220 2203

E: [alison.mccurrach@jcca.co.uk](mailto:alison.mccurrach@jcca.co.uk)

Where sharp minds meet

JOHNSTON  
CARMICHAEL 



MOORE

[jcca.co.uk](http://jcca.co.uk)



This document has been prepared for information purposes only by Johnston Carmichael Chartered Accountants and Business Advisers ("JCCA"). The information contained in this document represents JCCA's interpretation of current legislation at the date of this document. The contents of this document are not a substitute for specific tax, legal or professional advice and readers should seek tax advice based upon their own particular circumstances.

Johnston Carmichael is an independent member firm of Moore Global Network Limited and does not accept any responsibility or liability for the action or inactions on the part of any other individual member or correspondent firm or firms.