

FRS 102: Using the reporting standard for an investment property business

FRS 102 is the financial reporting standard applicable to companies in the UK and the Republic of Ireland. This factsheet looks at the advantages and disadvantages of using it to prepare the property business' accounts.

Is using FRS 102 mandatory?

No, not if a company qualifies as a micro-entity, in which case the company can use FRS 105 to prepare its accounts. Our FRS 105 factsheet sets out the micro-entity size criteria and gives an overview of the accounting treatment for investment property in the standard.

Most property investment companies will meet the micro-entity size criteria, but it's important to consider whether FRS 102 may be more suitable. Generally, the decision will involve balancing the simplicity of FRS 105 against the company's need for more detailed decision-making information.

Why use FRS 102?

FRS 102 mandates that investment properties be measured at fair value at each reporting date, with changes recognised in the profit and loss account. This approach reflects current market conditions, providing stakeholders with up-to-date information on the property's value.

This differs from FRS105, under which property revaluations are not allowed and investment properties are shown on the balance sheet at cost less depreciation and impairment.

Are there any drawbacks to using FRS 102?

In addition to the costs involved in ascertaining the fair values of properties, you should consider the more detailed reporting requirements of FRS 102.

There are reduced reporting requirements for small entities in section 1A of FRS 102, but the reporting and disclosure requirements are still more complex than those in FRS105.

Accounts under FRS102 require additional financial statements and more detailed notes. Investment property revaluations will necessitate recognising deferred tax liabilities.

Whilst the enhanced disclosure will provide more detail to help with stakeholder decision making, the work involved will be more costly.

It should also be remembered that the information in the accounts will be available to the general public.

Accordingly, FRS 102 is preferred by companies with external investors, creditors, and regulators who value the additional detail. FRS 105 is generally preferred by smaller owner-managed businesses.

Under FRS 102, who can value the property?

Properties should generally be revalued by qualified external valuers, or in the case of interim valuations, by qualified internal valuers who meet the established standards.

Directors, being inherently connected to the company, are likely to lack the required impartiality, which is a fundamental principle for revaluation.

This document has been prepared for information purposes and does not constitute advice. All information deemed correct as at 22 October 2025