



FRS 102 and FRS 105 Example small and micro company accounts

Presented by John Selwood

When does new UK GAAP apply?

Medium sized and large entities

- Most adopting FRS 102
- PC 1 January 2015
- With earlier adoption from 2012

Small and micro entities

- SI2015/980 & FRS 102 1A
- PC 1 January 2016
- With earlier adoption from PC 1 January 2015
- ***As part of a package with new CA 2006 regime***

Section 1

Preparing accounts under the new small and micro company regimes

Section 2

FRS 102 1A case study

Section 3

FRS 105 example accounts

Section 4

FRS 102 1A related party disclosures

Section 1: Preparing accounts under the new small and micro company regimes



What is a small company?



Department
for Business
Innovation & Skills

Small
company
regime
exemption

Total assets
£5.1m

Turnover
£10.2m

Employees
50

Small companies (not micro)

Earlier
periods

FRSSE
2008

UK
GAAP

PC 1 Jan
2015

FRSSE
2015

FRS
102

PC 1 Jan
2016

FRS
102

What is a micro company?



Department
for Business
Innovation & Skills

Microcompany
regime
exemption

Total assets
£316k

Turnover
£632k

Employees
10

FRSSE v Micro?

FRSSE (effective January 2015)

The directors have a legal obligation to ensure the financial statements give a true and fair view and hence must make appropriate disclosures where necessary.

A Format 1 or a Format 2 profit and loss account can be prepared.

FRS 105

Financial statements prepared to the minimum legal requirements are presumed to give a true and fair view. The directors do not need to consider any additional disclosures needed for the financial statements to give a true and fair view.

Only a Format 2 profit and loss account is permitted, structured as follows:

- Turnover
- Other income
- Cost of raw materials and consumables
- Staff costs
- Depreciation and other amounts written off assets
- Other charges
- Tax
- Profit or loss

FRSSE (effective January 2015)

FRS 105

A statement of total recognised gains and losses is needed where amounts have been taken to equity.

No statement of total recognised gains and losses is required.

The balance sheet is disaggregated e.g. tangible fixed assets are split into various components (intangible, tangible and investment property).

No disaggregation of the balance sheet is permitted hence there will only be one line item showing 'Fixed assets'. Current assets are not split into the order of liquidity (stock, debtors, bank and cash); only one line item showing 'Current assets' is required.

More disclosures are needed for the financial statements to give a true and fair view.

Only disclosures in respect of advances, credit and guarantees granted to directors and financial commitments, guarantees and contingencies are disclosed at the **foot of the balance sheet**.

The FRSSE allows fair value accounting or amounts to be carried at revaluation.

No fair values or revaluation amounts are allowed under FRS 105. All previous fair values/revaluation amounts must be removed on transition and in the comparative year.

More accounting policies are allowed in the

No accounting policy choices exist in FRS

	showing current assets is required.
More disclosures are needed for the financial statements to give a true and fair view.	Only disclosures in respect of advances, credit and guarantees granted to directors and financial commitments, guarantees and contingencies are disclosed at the foot of the balance sheet .
The FRSSE allows fair value accounting or amounts to be carried at revaluation.	No fair values or revaluation amounts are allowed under FRS 105. All previous fair values/revaluation amounts must be removed on transition and in the comparative year.
More accounting policies are allowed in the FRSSE (e.g. capitalisation of development costs and borrowing costs).	No accounting policy choices exist in FRS 105 and hence most transactions will be recognised in profit or loss rather than deferred in the balance sheet.
Company law requirements are reproduced in the FRSSE.	Not all company law requirements have been reproduced – only those which relate to the financial statements themselves have been reproduced.
Deferred tax is recognised using the timing difference approach.	Deferred tax is prohibited.
Equity-settled share-based payment transactions are disclosed in the notes.	No equity-settled share-based payment transactions are either accounted for or disclosed.

FRS 102 for Small companies

Recognition and measurement

- Full FRS 102!
- No exemptions!

Presentation and disclosure

- Section 1A
Small Entities

True & fair

- Required (not presumed like micro)

Formatting and exemptions

Abbreviated

- Abolished!

Abridged

- Simpler format for members
- Members approval

Adapted

- More flexible format

Filleted

- Filing exemption
- Remove profit & loss

Formatting and exemptions

102

Directors'
report

P&L

STRGL
/OCI

SOCIE

Balance
sheet

Cash
flows

102 1A

Directors'
report

P&L

STRGL
/OCI

SOCIE

Balance
sheet

105

P&L

Balance
sheet

Formatting and exemptions

102	Directors' report	P&L	STRGL /OCI	SOCIE	Balance sheet	Cash flows
102 1A	Directors' report	P&L	STRGL /OCI	SOCIE	Balance sheet	
105		P&L			Balance sheet	

FRS 102 1A disclosures (i)

- Accounting policies
- Fixed assets
- Fair valuation note
- Financial commitments, guarantees or contingencies not included in the balance sheet
- The amount of advances and credits granted to members of the administrative, managerial and supervisory bodies (with supporting information)
- Exceptional items
- Amounts due or payable after more than five years and entire debts covered by valuable security

FRS 102 1A disclosures (ii)

- Average number of employees during the financial year
- Fixed asset note (in addition to the mandatory revaluation table)
- Name and registered office of the undertaking drawing up the consolidated financial statements of the smallest body of undertakings of which the undertaking forms part
- Nature and business purpose of arrangements not included in the balance sheet
- Nature and effect of post balance sheet events
- (Limited) related party transactions

FRS 102 1A true and fair view

- **FRS 102 1A disclosures are severely reduced!**
- Encouraged disclosure – App D
- Abridged accounts
- Extra disclosure
- OCI? SOCIE? Cash flow?
- Filleted accounts
- Nightmare!!!!

FRS 102 1A encouraged disclosures

- (a)** a statement of compliance with this FRS as set out in paragraph 3.3, adapted to refer to Section 1A;
- (b)** a statement that it is a public benefit entity as set out in paragraph PBE3.3A;
- (c)** the disclosures relating to going concern set out in paragraph 3.9;
- (d)** dividends declared and paid or payable during the period (for example, as set out in paragraph 6.5(b)); and
- (e)** on first-time adoption of this FRS an explanation of how the transition has affected its financial position and financial performance as set out in paragraph 35.13.

Section 2: FRS 102 1A case study



FRS 102 1A case study

- No encouraged disclosures are included
- No encouraged presentation
- No T&F disclosure
- Not abridged
- Not filleted – yet!
- If you don't like them then micro might be an option

Smallco Ltd

Company information

For the year ended 30 June 2017

Company registration number

99999999

Directors

J Smith

B Jones

Registered office

987 Low Street

Anytown

AB1 2CD

Solicitor

Legal Eagles LLP

9 Legal Towers

Anytown

AB2 3EF

Bankers

National Bank PLC

Anytown

Smallco Ltd

Report of the Directors

For the year ended 30 June 2017

The directors present their report and financial statements of the company for the year ended 30 June 2017.

Directors of the company

The directors who have served during the year were as follows:

J Smith

B Jones

The report of the directors has been prepared taking advantage of the small companies' exemption of section 415A of the Companies Act 2006.

By order of the Board

Smallco Ltd
Profit and loss account
For the year ended 30 June 2017

	Note	2017 £	2016 £
Turnover		3,900,767	2,451,342
Cost of sales		(1,555,231)	(972,990)
Gross profit		<u>2,345,536</u>	<u>1,478,352</u>
Administrative expenses	2	(1,129,639)	(867,009)
Other operating income		20,000	10,000
Fair value gains on investment properties		10,000	10,000
Interest receivable and similar income		28	56
Interest payable and similar expenses		(19,787)	(25,989)
Profit before taxation		<u>1,226,138</u>	<u>605,410</u>

Smallco Ltd
Balance Sheet
As at 30 June 2017

Company registration number: 99999999

	Note	2017 £	2016 £
Fixed assets			
Tangible assets	4	489,233	492,899
		<hr/>	<hr/>
		489,233	492,899
Current assets			
Stocks		312,943	153,300
Debtors due within one year	5	439,881	278,933
Cash at bank and in hand		805,253	794,041
		<hr/>	<hr/>
		1,558,077	1,226,274
Creditors: amounts falling due within one year	6	(728,933)	(439,833)
		<hr/>	<hr/>
Net current assets		829,144	786,441
		<hr/>	<hr/>
Total assets less current liabilities		1,318,377	1,279,340
		<hr/>	<hr/>
Provisions for liabilities		(156,798)	(134,966)
		<hr/>	<hr/>
Net assets		1,161,579	1,144,374
		<hr/>	<hr/>

Creditors: amounts falling due within one year	6	(728,933)	(439,833)
Net current assets		<u>829,144</u>	<u>786,441</u>
Total assets less current liabilities		<u>1,318,377</u>	<u>1,279,340</u>
Provisions for liabilities		(156,798)	(134,966)
Net assets		<u>1,161,579</u>	<u>1,144,374</u>
Capital and reserves			
Called up share capital	7	100	100
Profit and loss account – not distributable		120,000	110,000
Profit and loss account		1,041,479	1,034,274
Shareholders' funds		<u>1,161,579</u>	<u>1,144,374</u>

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime and the option not to file the profit and loss account has been taken under s444.

The company has taken advantage of audit exemption ...

The financial statements were approved and authorised for issue by the Board on 31 January 2018.

Signed on behalf of the board of directors.

Smallco Ltd

Notes to the financial statements

For the year ended 30 June 2017

1 Summary of significant accounting policies

(a) General information and basis of preparation

The company is limited by shares and incorporated in England. The address of the registered office is given in the company information on page X of these financial statements. The company's principal activity is the manufacture of components.

The financial statements are presented in sterling which is the functional currency of the company and rounded to the nearest £.

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

(b) Tangible fixed assets

Tangible fixed assets are stated at cost (or deemed cost) or valuation less accumulated depreciation and accumulated impairment losses. Cost includes costs directly attributable to making the asset capable of operating as intended by management.

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value, of each asset on a systematic basis over their expected useful lives as follows:

Smallco Ltd

Notes to the financial statements (continued)

For the year ended 30 June 2017

(I) Employee benefits

When employees have rendered service to the company, short-term employee benefits to which the employees are entitled are recognised at the undiscounted amount expected to be paid in exchange for that service.

The company operates a defined contribution plan for the benefit of its employees. Contributions are expensed as they become payable.

2 Exceptional items

During the year £125,000 (2016 - £nil) of expenditure of exceptional size or incidence was recorded and related to the write-down of a trade debtor. This was included in administrative expenses.

3 Employees

The average monthly number of employees, including directors, during the year was as follows:

	2017 Number	2016 Number
Employees	<u>18</u>	<u>13</u>

Smallco Ltd

Notes to the financial statements (continued)

For the year ended 30 June 2017

4 Tangible fixed assets

	Investment properties	Land and buildings	Plant and machinery etc	Total
	£	£	£	£
Cost or valuation:				
At 1 July 2016	220,000	345,000	572,300	1,137,300
Additions	-	-	32,450	32,450
Disposals	-	-	-	-
Revaluation	10,000	-	-	10,000
At 30 June 2017	230,000	345,000	604,750	1,179,750
Depreciation:				
At 1 July 2016	-	147,001	497,400	644,401
Charge for the year	-	8,166	38,050	46,216
Eliminated on disposals	-	-	-	-
At 30 June 2017	-	155,167	535,450	690,617
Net book value:				
At 30 June 2017	230,000	189,933	69,300	489,233
At 30 June 2016	220,000	197,999	74,900	492,899

Additions	-	-	32,450	32,450
Disposals	-	-	-	-
Revaluation	10,000	-	-	10,000
At 30 June 2017	<u>230,000</u>	<u>345,000</u>	<u>604,750</u>	<u>1,179,750</u>
<hr/>				
Depreciation:				
At 1 July 2016	-	147,001	497,400	644,401
Charge for the year	-	8,166	38,050	46,216
Eliminated on disposals	-	-	-	-
At 30 June 2017	<u>-</u>	<u>155,167</u>	<u>535,450</u>	<u>690,617</u>
<hr/>				
Net book value:				
At 30 June 2017	<u>230,000</u>	<u>189,933</u>	<u>69,300</u>	<u>489,233</u>
At 30 June 2016	<u>220,000</u>	<u>197,999</u>	<u>74,900</u>	<u>492,899</u>

5 Debtors

	2017	2016
	£	£
Trade debtors	406,556	269,761
Other debtors	23,449	3,449
Prepayments and accrued income	9,876	5,723
	<u>439,881</u>	<u>278,933</u>
	<hr/>	<hr/>

Smallco Ltd

Notes to the financial statements (continued)

For the year ended 30 June 2017

6 Creditors: amounts falling due within one year

	2017 £	2016 £
Bank loans and overdrafts	80,000	132,000
Trade creditors	244,678	49,562
Corporation tax	240,000	120,000
Other tax and social security	56,341	43,998
Finance leases	18,562	23,973
Other creditors	5,000	5,000
Accruals and deferred income	84,352	65,300
	<u>728,933</u>	<u>439,833</u>

The bank loan of £80,000 (2016 - £132,000) is secured by a floating charge over the company's assets. Finance leases are secured over the assets to which they relate.

7 Share capital

	2017 £	2016 £
Allotted, called up and fully paid	100	100

7 Share capital

	2017	2016
	£	£
Allotted, called up and fully paid	<u>100</u>	<u>100</u>

8 Financial commitments

Total financial commitments, guarantees and contingencies which are not included in the balance sheet amount to £18,000 (2016 - £22,000).

9 Post balance sheet events

After the year end the company the company's store was destroyed by flood and fire incurring uninsured stock losses of £98,000

10 Directors' advances, credits and guarantees

During the period, the company made a short-term loan to a director amounting to £20,000 for the purposes of a house purchase. Interest at the rate of 5.5% per annum is payable half-yearly and the loan is repayable on 31 December 2020.

FRS 102 1A true and fair view

- **FRS 102 1A disclosures are severely reduced!**
- Encouraged disclosure – App D
- Abridged accounts
- Extra disclosure
- OCI? SOCIE? Cash flow?
- Filleted accounts
- Nightmare!!!!

FRS 102 1A encouraged disclosures

- (a)** a statement of compliance with this FRS as set out in paragraph 3.3, adapted to refer to Section 1A;
- (b)** a statement that it is a public benefit entity as set out in paragraph PBE3.3A;
- (c)** the disclosures relating to going concern set out in paragraph 3.9;
- (d)** dividends declared and paid or payable during the period (for example, as set out in paragraph 6.5(b)); and
- (e)** on first-time adoption of this FRS an explanation of how the transition has affected its financial position and financial performance as set out in paragraph 35.13.

Section 3: FRS 105 example accounts



FRS 105 example accounts

- Deemed T&F view
- No Directors' report
- Can be filleted
- Does not prevent accountants from providing high quality accounts to management

Micro Ltd
Profit and loss account
Year ended 31 December 2016

	2016	2015
	£	£
Turnover	300,000	285,000
Other income	10,000	5,000
Cost of raw materials and consumables	(70,000)	(50,000)
Staff costs	(20,000)	(15,000)
Depreciation and other amounts written off assets	(35,000)	(25,000)
Other charges	(110,000)	(105,000)
Tax	(15,000)	(19,000)
	-----	-----
Profit	60,000	76,000
	-----	-----

Micro Ltd
Balance Sheet
At 31 December 2016

	2016	2015
	£	£
Fixed assets	85,000	80,000
Current assets	125,000	185,000
Creditors: amounts falling due within one year	(95,000)	(85,000)
	-----	-----
Net assets	115,000	180,000
	-----	-----
	-----	-----
Capital and reserves	115,000	180,000
	-----	-----

Directors advances, credits and guarantees

During the year the company made a loan to a director amounting to £1,000 on an interest-free basis. This loan was repaid in full on 4 February 2017.

Outstanding obligations

Net assets	115,000	180,000
	-----	-----
	-----	-----
Capital and reserves	115,000	180,000
	-----	-----

Directors advances, credits and guarantees

During the year the company made a loan to a director amounting to £1,000 on an interest-free basis. This loan was repaid in full on 4 February 2017.

Outstanding obligations

The company had capital commitments contracted but not provided for in the financial statements totalling £19,000 (2015: £17,000).

For the year ending 31 December 2016 the company was entitled to exemption from audit under section 477 of the Companies Act 2006 relating to small companies.

[Insert directors' responsibilities]

[Insert signature/signatories of directors signing the accounts]

[Date]



Section 4: FRS 102 1A related party disclosures



Related parties and new UK GAAP

FRS 105

- PC 1 Jan 2016
- No RP disclosure!

FRS 102
1A

- PC 1 Jan 2016
- Very restricted RP disclosure

FRS 102
(Full fat)

- PC 1 Jan 2015
- Similar RP to old UK GAAP

Related parties 1A requirement

**Small
entities and
Section 1A**

**Disclose
transactions
not under
normal
market
conditions
with**

- owners holding a participating interest in the small entity
- companies in which the small entity itself has a participating interest and
- the small entity's directors (or equivalent governing body)

Related parties 1A requirement

Small
entities
and
**Section
1A**
Disclose

- the amount of such transactions
- the nature of the related party relationships and
- other information about the transactions necessary for an understanding of the financial position of the entity