

04 February 2014

Jenny Carter  
Financial Reporting Council  
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Our Ref: SJG/AJC

Dear Ms Carter

**FRED 52 Draft Amendments to the Financial Reporting Standard for Smaller Entities  
(effective April 2008) Micro Entities**

We welcome the opportunity to comment on the exposure draft of FRED 52

Please contact me should you wish to discuss any of the points raised in the attached response.

Yours sincerely



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**Question 1: Do you agree with the proposed amendments to the FRSSE for micro-entities? If not, why not?**

We agree with the approach for dealing with micro-entities by amending the FRSSE.

In our opinion the guidance could be improved in the following areas:

1. The FRSSE has in its scope entities that are not companies but meet the size criteria for a small company. It is our understanding that only a company reporting under the provisions of the Companies Act 2006 will be eligible to take advantage of the micro-entities regime. The proposed guidance is not explicitly clear that non-corporate entities meeting the size criteria for a micro-entity are ineligible from using the regime. The fact that LLP's and charities may not apply these rules should also be explicitly stated.
2. The definition of a micro-entity included in the FRSSE is incomplete, in particular the requirements for parent entities in s.384A (8) or entities excluded under s.384B are omitted. The definition should be complete, or at least clearly refer a reader to the full legislation. Paragraph 9 does include reference to this in Appendix 1. In our view this should be clearly set out in the main body of the standard. The present format of the FRSSE is meant to ensure that in most cases a user does not need to refer to the relevant supporting legislation and therefore the incomplete definition may result in incorrect application of the legal requirements.
3. Further practical guidance on the application of the micro-entities regime would be useful. Useful guidance could include whether an entity can switch between "full" FRSSE accounts and Micro-entity accounts and first time application guidance. For example, if an entity chose to apply the Micro-entity regime but had previously accounted for fixed assets or investments at valuation we assume this would result in a change of accounting policy and a prior period adjustment. It would appear from the regulations that the prior period adjustment would require no disclosure in accounts prepared under the micro-entities regime, but clarification on this point would be helpful.