

From: [John Welsford](#)
To: [Asbcomment Letters](#)
Subject: Comment on FRED 46 - proposed affect on small companies
Date: 23 April 2012 07:18:59

Hi

I present training courses for independent firms of accountants and have been talking about the proposals in FREDs 46 – 48 since they were published in January. For the majority of people attending these courses it is the affect upon small entities which will have the greatest affect upon their daily life.

Although I have no specific comments regarding the matters for which comments were requested there is a matter concerning the proposed amendments to the FRSSE that interest me and my clients.

The proposed amendment to paragraph 5 of the FRSSE states that where the FRSSE is silent on a matter small entities applying the FRSSE should first have regard to their existing policies. This seems to imply that if the existing policy is different than a requirement of FRED 48 - The Financial Reporting Standard UK and Ireland, they can continue with the existing policy. Small entities applying the FRSSE need only have regard to FRED 48 if they enter a new transaction for which they do not have a policy. Have the Board considered how this will affect:

- Small companies formed after 1 January 2015. These will presumably have no existing policy and therefore will need to have regard to FRED 48. The result will be small companies following different policies
- Unincorporated businesses. These are required to follow UK GAAP for the purposes of tax. Where the FRSSE is silent on a matter what will be UK GAAP? If it is FRED 48 it will all unincorporated businesses will need to change their policies in line with the new FRS. This seems at odds with small companies being able to retain their existing policies.

The best example of this is regarding agriculture where FRED 48 proposes polices very different from those adopted by UK farmers currently. Interpreting the amendment to paragraph 5 of the FRSSE as above we can finish up with small companies continuing with their existing policy which may and may not be acceptable for tax purposes and small unincorporated businesses having to adopt a 'fair value' policy.

Further clarification in this area as to what will be UK GAAP for tax purposes and how it will affect all small businesses would be useful.

Other than this I believe the proposals are reasonable and will not have a huge impact on the average private company.

Regards

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