



ICB Consultation Response

The Institute of Certified Bookkeeper's (ICB) Response
to FRED 58



Question 1

This balance of priorities raised in this question is an important one. Whilst the overwhelming priority of FRC 105 must be to reduce the burden of regulation on micro businesses, this aim must be viewed in context of the wider standards of UK GAAP.

The UK already has among the most complex reporting systems in the world. The new reporting standards for micro businesses should not further add to this complexity by adopting language that sets it apart from the standards for larger entities for two reasons: A difference in language would create an artificial barrier for growth for those micros that wish to expand; and a change in language further complicates an already complicated system.

However, the existing draft simply shows certain sections of FRS102 as being not included, and showing blank pages, rather than to produce a completely separate and free-standing standard for micro-entities. This could cause confusion and leads to the actual document being longer than is necessary.

ICB wholeheartedly agrees with the approach of reducing the reporting burden as far as is practicable, whilst maintaining linguistic consistency.

Question 2

ICB agrees that the amendments proposed to FRS 105 accurately reflect the legal requirements of the micro entities regime. The proposals represent both a fair and practical approach as well as adherence to the legal requirements.

Question 3

The principles used by the accounting council for the consideration of further simplification are adequate from an ICB perspective. Ultimately FRS 105 needs to strike a balance between protecting the public by ensuring that an appropriate amount of information is available whilst reducing as far as possible the regulatory requirements placed on micro-entities. Therefore the primary concern should be which reforms will work in the majority of cases and which reforms can deliver the maximum flexibility without restricting public scrutiny.

ICB agrees that the overarching principles set out in the document are appropriate, and that the proposed simplifications represent a good application of the principles.

Question 4

ICB agrees with the approach to reporting financial instruments at cost rather than at fair value. A micro-entity that falls within the prescribed limits and which wishes to show such instruments using any other measurement technique must recognise that this could have a material effect on the nature of the accounts being prepared. The entity always has the option of adopting a higher financial reporting standard if it wishes to use a value other than cost.



Question 5

As per the answer to question 4, the difference between capitalisation of borrowing costs and writing them off annually could very well have a material effect on the final accounts.

Question 6

ICB believes that if the main benefit of FRS 105 is to simplify the preparation of accounts, having a choice of methods from which to choose will complicate the issue

Question 7

ICB further believes that referencing FRS 102 could again complicate the documentation within FRS105. Keeping all requirements completely within FRS 105 will allow a much more straight forward approach to producing the final accounts

Question 8

ICB firmly believes that all regulators have a duty to ensure that the burden of regulation placed upon micro entities is as light as it can be. Whilst ICB feels that the current simplifications are sufficient, there should be a presumption of a periodic review to ensure that a changing climate has not revealed further areas that could be simplified.

Question 9

ICB agrees with the feedback received in FRED 50. Making specific provision for this type of company would be an unnecessary addition to the accounting standards. Whilst the issue of financial statements for Residential Management companies is a significant one, this standard is not the place in which to clarify it.

It would be most appropriate for either the FRC to give sector specific guidance, or for professional bodies to issue standard practice guidelines for the issue which could be agreed on a sector-wide basis.

Question 10

ICB has no comment to make on this matter.