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**Via email to [ukfrs@frc.org.uk](mailto:ukfrs@frc.org.uk)**

**29 April 2015**

## **FRED 58 Draft FRS 105 FRSME**

Dear Jenny

We have reviewed FRED 58 and support the FRC's proposal to introduce the new accounting standard, FRS 105 *The Financial Reporting Standard applicable to the Micro-entities Regime*. We believe that companies choosing to adopt this regime are likely to welcome a separate simplified standard. We largely agree with the proposals made in FRED 58 and rather than respond on all the detailed questions raised we wish to highlight matters of principle that we believe are important for ensuring the effectiveness of the new standard. Our fundamental position is that the standard should be as accessible, understandable and straight-forward to apply as possible.

Although we agree with the FRC's approach to develop this standard from FRS 102, we are concerned that there is too much emphasis on maintaining consistency with FRS 102 at the expense of providing an accessible document focused on the needs of micro-entities. For example, we would prefer that those paragraphs in FRS 102 that are not used in FRS 105 are deleted rather than included with the text replaced with the words 'not used'. The same logic would also apply to sections from FRS 102 not used in FRS 105.

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We appreciate that this approach potentially adds to the work required of the FRC to maintain consistency between FRS 105 and FRS 102 as the latter changes over time. However, FRS 105, as currently drafted, does not appear particularly user friendly especially when one considers that this standard will replace the very accessible 'one-stop shop' FRSSE. From a cost / benefit point of view we consider that a better approach would be for FRS 105 to use its own self-contained system of section and paragraph numbering.

We believe that unincorporated entities that would meet the qualifying conditions for the micro-entity regime if they were companies should be permitted to use FRS 105 subject to satisfying any specific legal requirements. This would require a change to paragraph 1.2 as currently drafted. We suggest that the FRC discuss with HMRC the acceptability of FRS 105 based financial statements for tax purposes before making this change.

Yours sincerely,

*Charles Batchelor*

Charles Batchelor  
Chair, Corporate Reporting Development Panel

*Nick Topazio*

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