From: Joan Swain
To: UKFRS
Subject: Invitation to comment
Date: 09 November 2014 11:18:43

For the attention of Jenny Carter

In response to the Invitation to Comment on the Consultation Document 'Accounting Standards for small entities – implementation of the EU Accounting Directive' I reply as follows:

Q1 – Yes I agree with a new accounting standard the FRSME, but it should be complete in itself and not 'silent' on topics which then refer you to another standard. It should be very clear on what is required and not give choices as to treatment as this inevitably leads to confusion.

Q2 – Reference s2.6 (ii) – deferred tax should continue to be accounted for otherwise reserves are overstated and in a micro-entity that has taken advantage of the Annual Investment Allowance there will be a tendency to distribute profits too early. Existing entities should be allowed to continue to use their current accounting policies so as not to incur unnecessary expense.

Q3 - The standard should apply to all Small Entities and not just companies. There should be consistency of treatment for presentation for any business falling in this size category so that the accounts may be understood/compared by all stakeholders and advisers are not subject to applying different standards to different entities except on size criteria.

Q4 – The problem with the FRSSE is lack of a self-contained document (as referred to in Q1 above). However, adoption by Small Entities of FRS102 would cause unacceptable time costs for little or no reward. Perhaps small companies currently using the FRSSE should be allowed to continue to use their existing accounting policies. Respondents will inevitably be biased by the type of client they service, so in particular some of my clients would have a problem with 3.24.

(a) Taking investment property fair values to the P&L will have significant tax implications for the small entity who may well be asset rich but cash poor
(b) Recognition of deferred tax on revaluations going forward may be acceptable but given that a prior year adjustment would be required then there may be an adverse impact on reserves.
(c) In a small company the recognition of holiday pay accruals will possibly by an immaterial amount but cause a time cost when calculating, I expect there would be a lot of holiday years suddenly align with the company year and no carry forward holidays being allowed.

Q5 – The treatment of RMCs' Financial Statements just needs to be made clear and concise and to remove doubt as to whether or not two sets of accounts (holding company and Trust) are or are not required.

Q6 – I agree that FRS102 should not include those disclosures relating to medium and large companies.

Q7 – No comment.

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