



## ACCOUNTING STANDARDS FOR SMALL ENTITIES

ICAEW welcomes the opportunity to comment on the consultation document *Accounting standards for small entities: implementation of the EU Accounting Directive* published by the Financial Reporting Council in September 2014, a copy of which is available from this [link](#).

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## MAJOR POINTS

### The new directive - some change is necessary

1. The approval of a new EU Accounting Directive means that UK accounting standards must be amended to reflect consequential changes to UK company law. We are therefore pleased that the Financial Reporting Council (FRC) has worked closely with the Department for Business Innovation and Skills (BIS) since the approval of the Directive and throughout the development of its proposals. We believe that this has benefitted the overall consultation process, in particular the ability of the FRC to issue its proposals at the same time as the related BIS consultation, albeit with a more appropriate submission deadline.
2. We encourage the FRC to continue this close collaboration with BIS and to monitor carefully the outcome of the BIS consultation. This will be particularly important in relation to those more radical, non-mandatory changes proposed by BIS, for example, the option for small companies to prepare only abbreviated accounts for shareholders. We strongly opposed this proposal in our recent response to BIS. However, should the Government decide to proceed with this proposal, UK accounting standards would need to reflect the change.
3. We note the FRC's concerns regarding the impact that the restriction on information that can be required in small company accounts, as imposed by the Directive, will have on the responsibility of directors to ensure that accounts show a true and fair view. In particular, we are concerned by the position taken by BIS that this restriction extends to the accounting standards published by the FRC. We have recommended that the Government challenges robustly the European Commission's questionable interpretation of the law in this context, perhaps obtaining a QC's opinion on this matter. In addition, we have called for the Government to confirm that the FRC, as a private sector organisation, should be entitled under the law to provide appropriate authoritative guidance on how the directors of a small company might consider the additional disclosures that are required in the context of providing a true and fair view.

### One framework for all entities

4. In our view, there are significant advantages to the proposal to bring small entities within the scope of FRS 102 (with a separate section outlining the small entity reduced disclosure requirements) and to issue a separate standard for micro-entities. This change would result in the application by small and micro-entities of accounting standards based on the same underlying framework as larger entities. We believe that this would bring reduced training costs, improved comparability between different-sized entities and an easier transition in accounting terms as businesses grow. This proposal also addresses concerns about the uncomfortable fact that from 1 January 2015, the FRSSE will be based on UK accounting standards that otherwise are no longer in use.

### Accounting simplifications

5. Notwithstanding our general support for the proposal, extensive outreach to ICAEW members has highlighted some concern over the lack of any accounting simplifications to FRS 102 available to small entities, particularly in relation to financial instruments. We have considered these concerns at length during this consultation and on balance have decided that there is not, at this stage, a compelling case for providing accounting simplifications in this or any other area. Our principal reasons for this decision are discussed in greater detail in paragraph 24 below.
6. While ideally the extent of any additional amendments to FRS 102 considered necessary in the short term for small entities (or indeed amendments applicable to all FRS 102 reporters) will be limited, amendments should not simply be ruled out in principle if specific issues are identified, particularly in relation to certain types of financial instruments. The FRC should be prepared to reconsider on a case by case basis the merits of suggestions from constituents for simplification in particular areas, both now and in future. In addition, the FRC should

continue to monitor very closely whether the dividing line between basic and non-basic financial instruments has been drawn in the right place. This process of post-implementation should be an active one undertaken in close collaboration with stakeholders, not one delayed until the first triennial review. Cost:benefit considerations and the importance of a smooth and orderly transition should loom large in this process. The FRC should also monitor whether the application of the FRS 102 requirements for financial instruments by small entities meets expectations and consider what more needs to be done if this is not the case.

7. We are aware that the FRC will reflect on the feedback received on this consultation before developing the proposals further and issuing the more detailed amendments for public comment. During the process the FRC should consider the overall feedback received, including from business and users, and if deemed insufficient, whether further outreach is required. We also recommend that the FRC consider whether there is any scope for making FRS 102 more accessible to small entities, perhaps through appropriate and innovative signposting throughout the document.

### Accelerated deadline

8. We accept, as noted in the FRC consultation, that some of the proposed changes outlined by the FRC, including the 1 January 2016 effective date, are being driven by changes to UK legislation required by the new EU Accounting Directive. However, while some of the changes are mandatory within this tight timescale, others are not. That is, the FRC has taken the opportunity to revisit the position of the FRSSE within the new UK financial reporting regime and propose a more radical solution.
9. We have therefore considered whether implementation of certain changes might be delayed until a later date in order to reduce the pressures on small entities, but decided that on balance this was likely to be unhelpful and might create uncertainty. Nonetheless, we have serious concerns about the length of time that small entities will have to prepare for transition, particularly when the final revised version of FRS 102 is not expected to be ready for issue until summer 2015, at which point the date of transition will have passed for the majority of small entities. Any delay in issuing the revised standard might make the implementation date of 1 January 2016 untenable. We are also concerned that the opportunity to obtain important information at the date of transition and during the comparative period may be lost due to uncertainty over the requirements of the final standard, as well as insufficient familiarity with the new regime. It is therefore vitally important that the FRC consider the extent of flexibility of transitional provisions that should be made available to small entities for their move to the new regime, and that the likely scope of these provisions be publicised at the earliest possible date.
10. It will also be incumbent on regulators, professional bodies, training organisations and practitioners to make concerted efforts to ensure as far as possible that small entities are sufficiently prepared for the transition. However, as already noted, the opportunity to provide timely advice to small entities will be restricted by the tight implementation deadline.

## RESPONSES TO SPECIFIC QUESTIONS

### Question 1:

**Do you agree with the proposal to develop a new accounting standard, the Financial Reporting Standard for Micro-entities (FRSME), for entities taking advantage of the micro-entities regime (see paragraph 2.4)? If not, why not?**

11. Yes, we agree that a separate financial reporting standard is preferable, given the very different presentation and measurement requirements for companies electing to apply the micro-entity regulations. It appears, from our outreach to members during the consultation period, that this proposal has widespread support. For example, during a recent webinar hosted by the Financial Reporting Faculty, participants were invited to vote in an electronic poll which asked whether they agreed with the proposal to develop a new FRS for micro-

entities: 81% voted yes; 10% voted no; and 9% were undecided. A similar question was posed at a separate event held with the FRC and BIS for approximately 120 ICAEW members. On this occasion 79% voted yes, including 21% believing that there should be further simplifications; 15% voted against the proposal; and 6% were undecided.

12. We do not support the proposed title for the accounting standard – the FRSME. This acronym has been suggested during earlier discussions on new UK GAAP and for some is still associated with small and medium-sized companies (SMEs) rather than micro-entities. It is also out of keeping with the current nomenclature for the new UK GAAP. A more appropriate title would be FRS 105 *Micro-Entities*.

#### Question 2:

**Do you agree with the proposed recognition and measurement simplifications that are being considered for the FRSME (see paragraph 2.6(b))? If not, why not? Are there any further areas where you consider simplifications could be proposed for micro-entities?**

13. Eligible companies choosing to apply the micro-entity regulations are able to prepare much simpler financial statements. Therefore, as noted above, we agree with the proposal that the FRC issue a separate financial reporting standard for such companies. We also agree with the proposal that this separate standard be based on FRS 102, but with certain simplifications to the recognition and measurement requirements for financial instruments, deferred taxation, share based payments and post-employment benefits. Further proposals to remove the option to capitalise borrowing costs and to delete any sections of FRS 102 which have less relevance to a micro-entity also appear reasonable.
14. When drafting the accounting standard for micro-entities, we recommend that the FRC employs language that is both appropriate and easy to understand for these companies. It may, for example, be more beneficial to simplify the language relating to financial instruments requirements, than to be wholly consistent with the language used in FRS 102.

#### Question 3:

**The accounting standard that is applicable to small entities (not just small companies) (ie currently the FRSSE) is being revised following changes to company law. Company law, which will limit the disclosures that can be made mandatory, may not apply to entities that are not companies. Do you agree that the accounting standard for small entities should continue to be applicable to all entities meeting the relevant criteria, not just companies? This will have the effect of reducing the number of mandatory disclosures for all small entities, not just small companies (see paragraph 3.11). If not, why not?**

15. Yes, we agree that the financial reporting standard for small entities should continue to be available for all entities meeting the relevant criteria, not just for companies.
16. The restriction on information that can be required in small company accounts, imposed by the new EU Accounting Directive, does not extend to other small entities. However, we agree with the FRC conclusion outlined in paragraph 3.11 of the consultation paper that FRS 102 should not be further amended to require additional disclosure requirements for those small entities that are not small companies. In our view, this would create confusion. Furthermore, for many entities falling into this category, for example charities and LLPs, further guidance can be found in the relevant Statements of Recommended Practice.

#### Question 4:

**Do you agree that the FRSSE should be withdrawn and small entities should be brought within the scope of FRS 102, so that they apply recognition and measurement requirements that are consistent with larger entities, but with fewer mandatory disclosures (see paragraph 3.15)? If not, are there any areas where you consider there should be recognition and measurement differences for small entities and why?**

## Picking up where we left off

17. ICAEW was closely involved with the long debate over the new UK GAAP, including consideration of the future of financial reporting for small entities. Indeed, in response to the four major consultations on the future of the UK GAAP issued by the Accounting Standards Board (ASB) between 2009 and 2012, ICAEW paid particular attention to the concerns of SMEs and the position of the FRSSE in any new UK financial reporting regime.
18. In the early stages of the discussion, we supported the place of the FRSSE in the UK reporting hierarchy. However, extensive consultation with ICAEW members soon indicated that changes in the UK reporting environment had led to doubts about the merits of long term retention of the FRSSE. Therefore, in our 2012 representation letter (64/12) to the ASB on *The Future of Financial Reporting in the UK and ROI* we suggested that keeping the FRSSE in place while the remaining new standards for larger entities bedded down was not an optimal solution. We outlined concerns about creating a differential regime that would complicate systems and training and could increase costs. Instead, we proposed that a single coherent set of principles be applied by all entities reporting under UK GAAP and pointed to FRS 102 as a route to achieving this. We also expressed the view that it was likely that some exemptions from the provisions of FRS 102 would be necessary before it could be applied by small entities.
19. Although the discussion was put on hold pending the finalisation of the new EU Accounting Directive, we have returned to these earlier conclusions as the starting point for our consideration of the current FRC proposals. However, we acknowledge that things have moved on since this earlier debate. Most notably, the new Directive will, when transposed into UK company law, restrict the amount of information that can be required in small company accounts. Another important development is the introduction of the micro-entity regulations, which now enable companies that qualify as micro-entities to prepare much simplified financial statements without any need to apply fair value accounting.

## Support for the proposal

20. In our view, there are significant advantages to bringing small entities within the scope of FRS 102, with a separate section outlining the small entity reduced disclosure requirements. In particular:
  - Retaining parallel accounting requirements would mean practical difficulties for training and education within the profession and more widely. Bringing small entities within the scope of FRS 102 would address this issue and in the longer term should reduce training costs.
  - Small entities would be applying an accounting standard based on the same underlying framework as larger entities. This would improve comparability between different sized entities and ease the transition process for businesses that grow.
  - Without this change, from 1 January 2015 the FRSSE would be based on accounting standards that otherwise are no longer in use.
21. Many view the benefits of the proposal as compelling. Furthermore, as noted above, earlier discussions on the future of the UK financial reporting regime had indicated growing doubts over retention of the FRSSE within the new UK financial reporting regime. This trend has been more recently underlined during events hosted by the Financial Reporting Faculty, as follows:
  - During discussions at an event held for around 120 ICAEW members with BIS and the FRC on 15 September 2014 on forthcoming changes to small company reporting,

delegates were asked to vote in a number of electronic polls. One asked whether there was agreement with the proposal for a small entities regime within FRS 102: 86% voted yes, although this includes the 28% who believed that there should nonetheless be further recognition and measurement simplifications; 10% voted no and thought there should be a separate standard for small entities; and 4% were undecided.

- The same question was posed in an electronic poll carried out during the webinar *Life After the FRSSE? A New Reporting Regime* held on 21 October 2014 for ICAEW members. This time 73% voted yes, but including the 33% believing that there should again be more simplifications. 17% voted no and thought there should be a separate standard for small entities and 10% were undecided.

22. While only covering a limited number of our members, the electronic polls do provide an interesting snapshot of current thinking. However as noted above, it will be important for the FRC to carefully consider the feedback received on this consultation before developing the proposals further and issuing the more detailed amendments. Notwithstanding this, the results do suggest that, while there continues to be strong support for the proposal to bring small companies within FRS 102, a not insignificant proportion also believes that further simplifications are required. We have investigated this matter during this consultation period through extensive outreach to ICAEW members. It has emerged that the accounting for financial instruments gives rise to the most concern. This is discussed further in the following paragraphs.

### Accounting simplifications

23. FRS 102 requires recognition of certain financial instruments not recognised in financial statements prepared under the FRSSE. In particular, derivatives such as forward contracts and interest swaps will typically be recognised at fair value, with movements recognised through profit and loss. For small entities holding such instruments, this will represent a potentially complex and significant area of change, increasing costs of accounts preparation and perhaps the risk of error in the financial statements. In addition, the recognition of changes in value through the profit or loss may result in volatility of earnings. There would also be significant impacts on the balance sheet, distributable profits and compliance with the terms of legal agreements, for example bank covenants.
24. We have considered these concerns at length during the past few months. On balance, we have decided that there is not at this stage a compelling case for providing accounting simplifications in this area. Our principal reasons for this are that:
- FRS 102 draws a distinction between basic and non-basic financial instruments. It is likely in practice that the majority of financial instruments used by small entities will fall into the basic category. In most cases this would mean that the financial instrument would be recognised at amortised cost, especially after the important recent changes made by the FRC to draw the boundary between basic and non-basic in a more appropriate place.
  - While there are some commonly-used financial instruments which would qualify as non-basic under FRS 102, in our opinion reflecting the value of these instruments in the accounts should help to ensure that directors fully understand the nature of the products and the associated risks. This is underlined by the widespread misselling in recent years of financial instruments such as non-vanilla interest rate swaps.
  - The implementation of the new EU Accounting Directive in the UK means that the small company accounting thresholds are set to increase. As a result, much 'larger' entities of some economic significance will soon qualify as 'small' and it is not necessarily appropriate to permit simplified accounting for these entities. Indeed, in our view, it is difficult to identify simplifications that would be appropriate for all of the broad and

growing range of companies qualifying as 'small'. Conversely, the great majority of UK small companies qualify for the optional micro-entities regime, which excludes the use of fair value accounting entirely.

25. While ideally the extent of any additional amendments to FRS 102 considered necessary in the short term for small entities (or indeed amendments applicable to all FRS 102 reporters) will be limited, amendments should not simply be ruled out in principle if specific issues are identified, particularly in relation to certain types of financial instruments. For example, some have called for changes in relation to the application of discounting to long term intercompany and other related party balances which have a zero or below market rate of interest and in relation to charities unable to take advantage of the micro-entities exemptions (discussed below in paragraph 43). The FRC should be prepared to reconsider on a case by case basis the merits of suggestions from constituents for simplification in particular areas, both now and in the future.
26. In addition, the FRC should continue to monitor very closely whether the dividing line between basic and non-basic financial instruments has been drawn in the right place. This process of post-implementation should be an active one undertaken in close collaboration with stakeholders, not one delayed until the first triennial review. Cost:benefit considerations and the importance of a smooth and orderly transition should loom large in this process.
27. The FRC should also monitor whether the application of FRS 102 requirements for financial instruments by small entities meets expectations and consider what more needs to be done if this is not the case.

### **Timing, transition and training**

28. We accept, as noted in the FRC consultation, that some of the proposed changes outlined by the FRC including the 1 January 2016 effective date are being driven by changes to UK legislation required by the new EU Directive. However, while some of the changes are mandatory within a tight timescale, others are not. That is, the FRC has taken this opportunity to revisit the position of the FRSSE within the new UK financial reporting regime and propose a more radical solution.
29. We therefore considered whether implementation of certain changes might be delayed until a later date in order to reduce the pressures on small entities, but decided that on balance this was unlikely to be helpful and might create uncertainty. Nonetheless, we do have serious concerns about the length of time that small entities will have to prepare for transition, particularly when the final revised version of FRS 102 is not expected to be ready for issue until summer 2015, at which point the date of transition will have passed for the majority of small entities. Any delay in issuing the revised standard might make the transition date of 1 January 2016 untenable.
30. By way of a comparison, since the launch of the new UK GAAP in late 2012 and early 2013, the Faculty has been engaged in a major campaign to help inform and prepare members for the transition from 1 January 2015. Although the FRC had previously indicated that they would need to revisit the FRSSE in due course, it is unlikely that smaller entities will have anticipated undergoing the same significant change with such an accelerated deadline. It seems perverse that larger entities moving to the new UK GAAP regime will have had at least two years to prepare for transition whereas small entities undergoing a similar transition may have as little as six months.
31. We are also concerned that the opportunity to obtain important information at the date of transition and during the comparative period may be lost due to uncertainty over the requirements of the final standard, as well as insufficient familiarity with the new regime. This is likely to increase the challenges for small entities preparing their first set of financial statements under the new regime - it is generally more onerous to gather information/



evidence on transactions and balances at a later date. Whatever the reasons for this, it is highly unsatisfactory. Small businesses are vitally important to the UK economy. Indeed, the Department for Business Innovation and Skills' recently issued its *Business Population Estimates for the UK and Regions 2014* report which showed that at the start of 2014, small businesses accounted for 48% of private sector employment and 33% of private sector turnover. With this in mind, it is critical that the FRC consider what provisions should be made available to small entities on transition to the regime, and that the scope of these provisions be publicised at the earliest possible date.

32. It will also be incumbent on regulators, professional bodies, training organisations and practitioners to make concerted efforts to ensure that small entities are sufficiently prepared for transition, including the accounting for new and complex areas of accounting such as financial instruments. However, as already noted, the opportunity to provide timely advice to small entities will be restricted in practice by the tight implementation deadline.

### Early application

33. This consultation does not ask directly about early application of the new regime. However, we believe that if permitted by law, early application of the new regime for small entities should be available. In particular, we believe it is important that entities have the option to apply the new regime from 1 January 2015, in line with the new UK GAAP. We have urged BIS to make this allowance in UK company law as part of our response to their consultation on the UK implementation of the Accounting Directive.
34. The interaction between the proposed changes to company law and to accounting standards for small companies along with the introduction of the new UK GAAP is complex. We recommend that the FRC consider this interaction closely as it develops the more detailed amendments to the standards. For example, we are aware that currently some small entities apply full UK GAAP but take advantage of the small company exemption from the requirement to prepare a cash flow statement, as permitted in company law and allowable under FRS 1 *Cash Flow Statements*. No similar exemption is available for small entities applying full FRS 102. However, if small companies are brought within the scope of FRS 102 (with reduced small company disclosures), the exemption from preparing a cash flow statement will be available from 1 January 2016. Entities in this situation and not wishing to prepare a cash flow statement for one year only (ie, for financial periods beginning on or after 1 January 2015) will be required to move from full UK GAAP, to the FRSSE 2015, and then to FRS 102 with reduced small company disclosures. That is, to say two consecutive years of change will result. This outcome would be unwelcome and should be avoided.
35. The above situation could be resolved by simply allowing early adoption of the new accounting standards, if permitted by company law. Should this not be possible, the FRC should consider allowing small entities applying full FRS 102 before 1 January 2016 to continue to take advantage of the exemption from the requirement to prepare a cash flow statement, if only for the transitional period.

### Proposed detailed amendments

36. We are aware that the FRC will reflect on the feedback received on this consultation before developing the proposals further and issuing the more detailed amendments for public comment. During the process we recommend that the FRC also consider whether there is any scope for making FRS 102 more accessible to small entities, perhaps through appropriate and innovative signposting throughout the document. It will also be important, during the next consultation period, to ensure that the disclosure regime for small entities is clear and proportionate, taking into account required changes resulting from the new EU Accounting Directive. We would be happy to provide further suggestions to the FRC on this matter if that would be useful.

#### Question 5:

**FRED 50 Draft FRC Abstract 1 – Residential Management Companies’ Financial Statements** was issued in August 2013. After considering the comments received, the FRC publicised its intention to roll this project into the work required to implement the new EU Accounting Directive. Do you agree, in principle, with adding a new subsection to Section 34 Specialised Activities of FRS 102 to address the principles of accounting by residential management companies (RMCs) (see paragraph 3.27)? If not, do you consider this unnecessary, or would you address the issue in an alternative way?

37. Our views on the most recent proposals for the accounting for Residential Management Companies (RMCs) are set out in detail in our representation letter 169/13 to FRED 50 *Draft FRC Abstract 1 – Residential Management Companies’ Financial Statements*. This response was the result of detailed enquiries into the current accounting practices for RMC accounting and extensive consultation with ICAEW members and other stakeholders.
38. We are aware, through numerous responses and queries received in recent months from ICAEW members that this continues to be an area of significant uncertainty and disagreement. Past experience, moreover, shows very clearly that this uncertainty cannot and will not be resolved by ICAEW or the profession at large. Thus if, for example, the FRC (as the authoritative standard setter) chooses simply to reiterate the legal position that an RMC acts as principal (not agent) when entering into transactions with third party suppliers without proving any authoritative commentary on the accounting implications, uncertainty and debate about diversity in the statutory accounting of the mainly very small companies involved will continue.

#### Question 6:

**FRS 102 does not currently include all of the disclosures specified in company law. Other than in relation to the new small companies regime within FRS 102, it is not proposed that this will change. Do you agree that FRS 102 should not include all the disclosure requirements for medium and large companies from company law (see paragraph 4.6)? If not, why not?**

39. Yes, we agree that FRS 102 should not include all the disclosure requirements for medium and large companies from company law. FRS 102 does not currently include this information for such companies and we do not believe there is a strong case for this to change.
40. It may however be interesting for the FRC, at the first triennial review of FRS 102, to consider whether appendices, outlining the legal requirements for medium-sized and large companies might be a useful addition to FRS 102.

#### Question 7:

**Do you agree that, if UK and Irish company law is sufficiently flexible, FRS 101 should be amended to permit the application of the presentation requirements of IAS 1 Presentation of Financial Statements, rather than the formats of the profit and loss account and balance sheet that are otherwise specified in company law (see paragraph 5.4)? Do you agree that this will increase efficiency of financial reporting within groups? If not, why not? Do you foresee any downsides to this approach?**

41. Yes, we agree that if permitted in law, companies applying FRS 101 *The Reduced Disclosure Framework* should be permitted to apply the limited presentation requirements outlined in IAS 1 *Presentation of Financial Statements*. We requested that such flexibility be permitted in UK company law in our recent response to the BIS consultation on the UK implementation of the EU Accounting Directive.

## OTHER MATTERS

During the course of the consultation period, a number of other matters have come to our attention. These are included below:

### Charities and other entities

42. The withdrawal of the FRSE will have specific implications for charities. Apart from the smallest charities preparing receipts and payments accounts, all charity accounts in Great Britain (and shortly also in Northern Ireland) must comply with the relevant Charities SORP. For accounting periods starting from 1 January 2015, charities which are 'small' within the company law definitions – whether or not they are companies – have the choice of the FRSE SORP or the FRS 102 SORP.
43. If the FRSE is withdrawn, the FRSE SORP will also have to be withdrawn, which will mean even the smallest charities and other charities preparing accruals accounts will have to follow the FRS 102 SORP. We note that charitable companies are not permitted to follow the micro-entity provisions in the Companies Act 2006 and that there are calls from those in the charities sector for further accounting simplifications to FRS 102 for small entities. The FRC should not dismiss these calls lightly. Similar issues may also arise for unincorporated entities that calculate their business profit on the basis of generally accepted accounting principles – often the FRSE - for tax purposes. These entities are also not permitted to apply the micro-entity provisions and would therefore need to follow FRS 102. We would be happy to provide further details on these points to the FRC if that would be useful.
44. The final standards for small entities will also need to be published in sufficient time to allow the Charities SORP Committee to issue an updated FRS102 Charities SORP, and for the corresponding regulations under charity law in England and Wales, Scotland, and Northern Ireland all to be updated for 1 January 2016.

### Goodwill and development costs write off

45. As part of the implementation of the EU Accounting Directive, BIS is proposing to increase the maximum period of write-off for goodwill and development costs to 10 years. In our response to BIS we outlined that our preference would be that company law does not specify any maximum period for the write-off of goodwill and development costs when no reliable estimate of useful economic life can be made. However, we accepted that the Directive requires member states to set a maximum period over which goodwill and development costs can be written off.
46. We went on to state that the period over which goodwill should be written-off has already been subject to much debate in recent months in the UK as a result of the new requirements set out in FRS 102. Therefore, we recommend that no further change is made to the maximum period of write-off. The outcome of the BIS consultation is not yet clear. However, we do think it is important that the FRC makes it abundantly clear that reverting to the maximum period for the write-off of goodwill and development costs is expected to be the exception and not the rule. That is to say, most entities are expected to be able to make a reliable estimate of the useful economic life of these assets.