

20 December 2013

FAO Jenny Carter
Financial Reporting Council
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Our ref: tp/201213

Dear Sirs

Draft amendments to the FRSSE in respect of the micro-entities regime

We are pleased to respond to your invitation to comment on the proposed revisions to the FRSSE to take account of the micro-entities regime which has recently been incorporated into UK law.

1. Do you agree with the proposed amendments to the FRSSE for micro-entities? If not, why not?

In the context of the micro-entities regime, we believe that the proposed changes to the FRSSE are appropriate although we do believe more guidance is needed in one area – that of the requirement for micro-entities to measure investment properties at cost less depreciation (i.e. treat as a fixed asset) and the prohibition from carrying fixed assets (including fixed asset investments) at valuation.

Whilst there is obviously a cost benefit for such entities in not having to pay for revaluations, there do not appear to be any transitional provisions in the proposed revised FRSSE for when an entity first adopts the 'micros' regime. Should the entity use the previous revaluation as a deemed cost (as is permitted for certain assets in IFRS and also FRS 102) or should it fully retrospectively restate such assets to historical cost as a prior year adjustment? We believe that clarification is required.

In addition we still have serious concerns about the presumption that the micro-entity minimum accounting items give a true and fair view. We recognise that it is necessary to include this statement in the FRSSE because this principle is now enshrined in law, so our concern is about this 'deeming provision' in law rather than how it is reflected in the FRSSE.

A set of 'micro' accounts will clearly not give a true and fair view, as it is generally understood, any more than do a set of abbreviated financial statements because they will simply not contain enough information, in the form of notes, to do so. This includes some information that could be viewed as 'material by nature' including related party transactions, post balance sheet events and exceptional items.

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Whilst we would acknowledge such disclosures are not included in abbreviated financial statements as currently prepared for filing with the Registrar of Companies, they are included in the full financial statements the entity is currently required to prepare – but will not be under the micros regime.

We hope that our comments are useful to you. If you have any questions on the contents of this letter, then please contact Tessa Park.

Yours faithfully



KINGSTON SMITH LLP