

Jenny Carter
Financial Reporting Council
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Via email to ukfrs@frc.org.uk

28 November 2014

Accounting Standards for Small Entities

Dear Jenny,

We have reviewed the implementation proposals in the above referenced consultation document and agree with framework set out. Rather than respond on all the detailed questions raised we wish to highlight matters of principle that we believe are important for ensuring small company financial statements continue to meet the needs of stakeholders.

In particular, we concur with the proposed requirement for small entities to move from the FRSSSE to FRS 102. Although we believe that this change might be burdensome for some entities, for example those that have interest rate swaps or other derivatives, we conclude that applying FRS 102 recognition and measurement is the appropriate treatment. Our view is that the creation of a separate recognition and measurement regime would make UK GAAP financial statements for different size entities more difficult to understand by users.

Paragraph 1.8 of the consultation document sets out the FRC's concern that some of the changes in legislation could impair the usefulness of the resulting financial information and/or place an even greater onus on the directors of small companies in their assessment of whether the resulting financial statements provide a true and fair view.

We share this concern and would suggest that the FRC remind company directors of their obligation to present a true and fair view. We believe that the FRC should provide some guidance on how directors of small companies should approach determining what disclosure is necessary for a true and fair view. For example the FRC could reference the disclosure requirements within the main body of FRS 102, without mandating that those disclosures are always necessary. It would be useful for the FRC to provide examples of the types of transactions and circumstances that could result in additional disclosure. In addition the FRC could provide illustrative examples and interpretation of the mandatory disclosures to assist directors in applying the requirements effectively.

Yours sincerely,

Charles Batchelor

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