

2 FRS 102 SECTION 1A SMALL ENTITIES CASE STUDY

(LECTURES A606/ 607 – 27.45/ 31.53 MINUTES)

2.1 *Introduction and questions*

The following accounts are based upon real sets of accounts produced under FRS 102, Section 1A *Small Entities* disclosure requirements.

How many obvious over-disclosures can you see?

Which disclosures are not expressly required, but are (or arguably could be) needed to show a true and fair view?

What disclosures are missing?

Company Number 1234567891011

Too Much Disclosure Limited
Financial Statements
Year Ended 31 December 2016

Too Much Disclosure Ltd
Financial Statements
Year ended 31 December 2016

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Too Much Disclosure Ltd
Company information
Year ended 31 December 2016

Company registration number	1234567891011
Directors	O Verthetop X Essive
Registered office	Moorgate Lane FR5 5EE
Solicitor	XXXXXXXXXX XXXXXXXX
Bankers	XXXXXXXXXX XXXXXXXX
Auditors	Overkill & Glut Moorgate Lane FR5 5EE

Too Much Disclosure Ltd

Directors' Report

For the year ended 31 December 2016

The directors present their report and financial statements of the company for the year ended 31 December 2016.

Principal activity

The company designs and distributes striped paisley ties.

Directors' responsibilities statement

The directors are responsible for preparing the Director' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of their profit or loss for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Directors of the company

The directors who have served during the year were as follows:

Verthetop

Essive

Disclosure of Information to the Auditor

In accordance with Section 418(2) of the Companies Act 2006, each director in office at the date the Directors' Report is approved confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- he/she has taken all the steps that he/she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

The report of the directors has been prepared taking advantage of the small companies' exemption of section 415A of the Companies Act 2006.

By order of the Board

O Verthetop - Director

30 September 2017

Independent auditor's report to the members of Too Much Disclosure Ltd

We have audited the financial statements of Too Much Disclosure Ltd for the year ended 31 December 2016, set out on pages X to XX. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', using the disclosure requirements in Section 1A (as applicable to small entities).

Respective responsibilities of directors and auditor

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the directors' report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies' regime when not eligible and to take advantage of the small companies' exemption from the requirement to prepare a strategic report or in preparing the directors' report.

Maximus Notes (Senior statutory auditor)

for and on behalf of:

Overkill & Glut

Moorgate Lane

FR5 5EE

Date 30 September 2017

Too Much Disclosure Ltd
Profit and Loss account
For the year ended 31 December 2016

		2016	2015
	Note	£	£
Turnover		3,900,767	2,451,342
Cost of sales		(1,555,231)	(972,990)
Gross profit		<u>2,345,536</u>	<u>1,478,352</u>
Administrative expenses	4	(1,129,639)	(867,009)
Other operating income	3	18,000	10,000
Fair value gains on investment properties		12,000	10,000
Operating profit	5	<u>1,245,897</u>	<u>631,343</u>
Interest receivable and similar income		28	56
Interest payable and similar expenses		(19,787)	(25,989)
Profit before taxation		<u>1,226,138</u>	<u>605,410</u>
Tax on profit		(240,000)	(120,000)
Profit for the year after taxation and profit for the financial year		<u><u>986,138</u></u>	<u><u>485,410</u></u>

Too Much Disclosure Ltd
Balance Sheet
As at 31 December 2016

Company number: 1234567891011

	Note	2016 £	2015 £
Fixed assets			
Tangible assets	8	489,233	492,899
		<hr/>	<hr/>
		489,233	492,899
Current assets			
Stocks	9	312,943	153,300
Debtors due within one year	10	439,881	278,933
Cash at bank and in hand		1,534,186	794,041
		<hr/>	<hr/>
		2,287,010	1,226,274
Creditors: amounts falling due within one year	11	<u>(728,933)</u>	<u>(439,833)</u>
Net current assets		1,558,077	786,441
		<hr/>	<hr/>
Total assets less current liabilities		2,047,310	1,279,340
Provisions for liabilities		(156,798)	(134,966)
		<hr/>	<hr/>
Net assets		1,890,512	1,144,374
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	14	100	100
Profit and loss account – not distributable		120,000	110,000
Profit and loss account		1,770,412	1,034,274
		<hr/>	<hr/>
Shareholders' funds		1,890,512	1,144,374
		<hr/>	<hr/>

These financial statements have been prepared and delivered in accordance with the provisions applicable to companies subject to the small companies' regime and the option not to file the profit and loss account has been taken, under s444.

The financial statements were approved and authorised for issue by the Board on 30 September 2017.

Signed on behalf of the board of director

O Verthetop

Director

Too Much Disclosure Ltd

Notes to the Financial Statements

For the year ended 31 December 2016

1 General information

The company is limited by shares, incorporated in England within the United Kingdom. The address of the registered office is Moorgate Lane, FR5 5EE.

2 Summary of significant accounting policies

The financial statements have been prepared using the historical cost convention and FRS 102 The Financial Reporting Standard applicable in the UK and the Republic of Ireland, including the disclosure and presentation requirements of Section 1A, applicable to small companies.

The principal activity is the design and distribution of striped paisley ties.

This is the first year in which the financial statements have been prepared in accordance with FRS 102. There are no adjustments necessary on transition to the standard.

The financial statements are presented in UK Sterling pounds (£)

(a) Turnover and other income

Turnover is measured at the fair value of the consideration received or receivable net of VAT and trade discounts.

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract. Revenue for the sale of goods is recognised upon delivery.

Interest income is recognised using the effective interest method.

(b) Goodwill

Purchased goodwill is initially recognised at cost. After recognition purchased goodwill is amortised over its expected useful life and measured at cost less accumulated amortisation.

Goodwill is considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed 10 years

(c) Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on all tangible fixed assets, except land, at rates calculated to write off the cost, less estimated residual value, of each asset on a systematic basis over its expected useful life as follows:

Buildings	50 years
Plant and machinery etc.	25% reducing balance

(d) Investment properties

Investment properties for which fair value can be measured reliably are measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Too Much Disclosure Ltd

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

(d) Investment properties (cont)

Properties are valued using RICS open market valuation on freehold basis, conducted annually by SSS Surveyors.

(e) Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing stock to its present location and condition.

(f) Short term debtors and creditors

Short term debtors and creditors with no stated interest rate are recorded at transaction price. Any losses arising from impairment are recognised in the profit and loss account.

(g) Loans and borrowings

Loans and borrowings are initially recognised at the transaction price including transaction costs. Subsequently, they are measured at amortised cost using the effective interest rate method, less impairment.

(h) Leases

Assets acquired under finance leases are capitalised and depreciated over the shorter of the lease term and the expected useful life of the asset. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding lease liability using the effective interest method.

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

(i) Current and deferred tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the profit and loss account, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

Deferred tax balances are recognised in respect of timing differences that have originated but not reversed by the balance sheet date.

Current and deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

(j) Employee benefits

The company operates a defined contribution plan for the benefit of its employees. Contributions are expensed as they become payable.

(k) Going concern

The financial statements have been prepared on the going concern basis because the directors consider the company to be a going concern.

Too Much Disclosure Ltd
Notes to the Financial Statements (continued)
For the year ended 31 December 2016

3 Other operating income

	2016	2015
	£	£
Other operating income	<u>18,000</u>	<u>10,000</u>

4 Exceptional items

During the year £125,000 (2015 £nil) of legal expenses were incurred to fight a legal challenge. This was included in administrative expenses.

5 Auditors' remuneration

Fees payable for the audit of the financial statements totalled £7,200 (2015 £5,950).

6 Employees

The average number of employees, including directors, during the year was as follows:

	2016	2015
Employees	18	13

7 Intangible assets

	£
Cost or valuation:	
At 1 January 2016	<u>150,000</u>
At 31 December 2016	150,000
	<hr/>
Amortisation:	
At 1 January 2016	<u>150,000</u>
At 31 December 2016	150,000
	<hr/>
Net book value:	
At 31 December 2016	<u>-</u>
	<hr/>
At 31 December 2015	-
	<hr/>

Too Much Disclosure Ltd
Notes to the Financial Statements (continued)
For the year ended 31 December 2016

8 Tangible fixed assets

	Investment properties	Land and buildings	Plant and machinery etc	Total
	£	£	£	£
Cost or valuation:				
At 1 January 2016	220,000	345,000	572,300	1,137,300
Additions	-	-	32,450	32,450
Fair value adjustment	10,000	-	-	10,000
At 31 December 2016	230,000	345,000	604,750	1,179,750
Depreciation:				
At 1 January 2016	-	147,001	497,400	644,401
Charge for the year	-	8,166	38,050	46,216
At 31 December 2016	-	155,167	535,450	690,617
Net book value:				
At 31 December 2016	230,000	189,933	69,300	489,233
At 31 December 2015	220,000	197,999	74,900	492,899

The investment property has been measured at fair value which is the open market value of the property. The fair value adjustment has been taken through the profit and loss account.

Too Much Disclosure Ltd
Notes to the Financial Statements (continued)
For the year ended 31 December 2016

9 Stock

	2016	2015
	£	£
Finished goods and goods for resale	312,943	153,300
	<hr/>	<hr/>
	312,943	153,300
	<hr/>	<hr/>

10 Debtors

	2016	2015
	£	£
Trade debtors	406,556	269,761
Other debtors	<hr/> 33,325	<hr/> 9,172
	439,881	278,933
	<hr/>	<hr/>

11 Creditors: amounts falling due within one year

	2016	2015
	£	£
Bank loans and overdrafts	80,000	132,000
Trade creditors	244,678	49,562
Corporation tax	240,000	120,000
Other tax and social security	56,341	43,998
Finance leases	18,562	23,973
Other creditors	<hr/> 89,352	<hr/> 70,300
	728,933	439,833
	<hr/>	<hr/>

Too Much Disclosure Ltd

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

The bank loan of £80,000 (2016 - £132,000) is secured by a floating charge over the company's assets.

12 Finance leases

Minimum lease payments on finance lease fall due as follows

	2016	2015
	£	£
Within one year	2,314	2,314
Between 1-2 years	2,314	2,314
Between 2-5 years	<u>13,934</u>	<u>19,345</u>
	18,562	23,973
	<hr/>	<hr/>

13 Deferred tax

	2016
	£
At beginning of the year	(12,250)
Charged to profit and loss	(2,000)
	<hr/>
At end of year	(14,250)
	<hr/>

The provision for deferred tax is made up as follows

	2016
	£
Accelerated capital allowances	<u>(14,250)</u>
	(14,250)
	<hr/>

Too Much Disclosure Ltd
Notes to the Financial Statements (continued)
For the year ended 31 December 2016

14 Share capital

	2016	2015
	£	£
Shares classified as equity		
Allotted, called up and fully paid		
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>
	100	100
	<u> </u>	<u> </u>

15 Pension commitments

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independent administered fund. The pensions cost charge represents contributions payable by the company to the fund and amounted to £20,000 (2015: £20,000).

16 Commitments under operating leases

At 31 December 2016 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2016	2015
	£	£
Land and buildings		
Not later than one year	3,041	4,205
Later than 1 year and not later than 5 years	8,314	9,345
Later than 5 years	<u>-</u>	<u>1,222</u>
	11,355	14,772
	<u> </u>	<u> </u>
	2016	2015
	£	£
Others		
Not later than one year	600	600
Later than 1 year and not later than 5 years	<u>900</u>	<u>1,500</u>
	1,500	2,100
	<u> </u>	<u> </u>

Too Much Disclosure Ltd

Notes to the Financial Statements (continued)

For the year ended 31 December 2016

17 Financial commitments

Other than operating lease commitments the company had total financial commitments, guarantees and contingencies which are not included in the balance sheet amounting to £2,000,000 (2015: £1,500,000).

18 Post balance sheet events

After the year end there was a fire then flood in the company's store incurring uninsured stock losses of £198,000

19 Transactions with directors

O Verthetop controls Perfect Paisley Ltd, which supplied design services to the company amounting to £100,000 (2015: £80,000). The services were supplied at arms length.

X Essive controls Seriously Stripy Ltd, which supplied design services to the company amounting to £10,000 (2015: £8,000). The services were not supplied at arm's length.

During the period, the company made a short-term loan to a director, O Verthetop, amounting to

£20,000. Interest at the rate of 5.5% per annum is payable half-yearly and the loan is repayable on 31 December 2020.

During the period, the company guaranteed the borrowing of a director, X Essive. The guarantee amounted to £70,000 and is in place until 31 March 2022, unless the underlying loan is repaid early.

20 Controlling party

X Essive is the controlling party because of his 51% shareholding.

2.2 FRS 102 Section 1A disclosure refresher

2.2.1 Disclosure requirements for small entities

The disclosure requirements for a small entity are split into two distinct Appendices:

- Appendix C *Disclosure requirements for small entities* – this Appendix outlines those disclosures which are required by law and which essentially reflect the provisions in the Companies Act 2006 as amended by 2015/980.
- Appendix D *Additional disclosures encouraged for small entities* – this Appendix outlines those disclosures which a small entity is required to consider in order that the financial statements give a true and fair view.

2.2.2 Disclosures required by law

Appendix C requires a small entity to provide the following disclosures which are required by the Companies Act 2006:

Accounting policies

- The entity's (material) accounting policies which must also include:
 - details of any changes in presentation, accounting policies and any corrections of prior period errors; and
 - where the small entity has departed from any of the company law requirements (true and fair override), provide particulars of the departure, the reasons for the departure and the effect of the departure.
- Notes supporting the balance sheet. If an asset or a liability relates to more than one item in the small entity's balance sheet, disclosure is required of the relationship of the asset or liability to such items.

Fixed assets

- Fixed assets, which will include the usual fixed assets reconciliation showing the composition of net book value. This disclosure requirement applies equally to:
 - investment property;
 - tangible fixed assets (property, plant and equipment);
 - intangible assets (also goodwill);
 - fixed asset investments;
 - biological assets (i.e. living animals or plants); and
 - heritage assets.

The reconciliations of fixed assets do not have to be presented for prior periods.

- Revalued fixed assets. When any fixed assets are measured at revaluation, the items that are revalued and the basis of valuation that has been adopted must be disclosed in the accounting policies section. In addition, the small entity must also disclose:

- the years in which the fixed assets were valued (to the extent that this information is known by the directors);
- where fixed assets have been revalued during the period, disclose the name of the person(s) that carried out the revaluation or details of their qualifications together with the basis of the valuation that they applied;
- for each revalued fixed asset, disclose the comparable amounts that would have been recognised had the revalued fixed assets been carried under the historic cost model (i.e. total cost, total accumulated depreciation and total impairment losses);
- movements in the revaluation reserve during the reporting period, together with an explanation of the tax treatment, and the carrying amount of the revalued fixed assets that would have been recognised in the balance sheet had the assets not been revalued (this is to be presented in tabular form); and
- the tax treatment of the amounts credited to or debited from the revaluation reserve.
- Where the reporting entity has a policy of capitalising borrowing costs, disclose the amount of interest that has been included within the cost of the asset(s).

Impairment of assets

- Where any items of fixed assets (which also includes fixed asset investments) have been impaired, the small entity must disclose the provisions for impairment in the notes to the accounts if the small entity has not shown this amount separately in the profit and loss account.
- If the small entity has reversed any provisions for impairment on the grounds that the reasons for the impairment no longer exist, the value of such reversals must be disclosed. This disclosure can be made either separately for each type of reversal or in aggregate and should be shown in the notes to the accounts if not shown separately in the small entity's profit and loss account.

Fair value measurement

- If the small entity measures any financial instruments or other assets at fair value, with changes in fair value going through the profit and loss account, disclose:
 - the significant assumptions used in the valuation models as well as the techniques applied to determine fair value;
 - for each class of financial instrument or other asset, the fair value of the assets within that class together with the change in value that is included directly in the profit and loss account or taken to the fair value reserve;
 - for each class of derivative financial instrument, the extent and nature of the derivative instruments which should also include significant

terms and conditions which may affect the amount, timing and certainty of the future cash flows; and

- if any amount is transferred to, or from, the fair value reserve during the accounting period, provide (in tabular form) the opening and closing balance of the fair value reserve and the amount that has been transferred to, or from, the reserve.

FRS 102 (September 2015) includes paragraph 1AC.25 which requires disclosure as to the tax treatment of amounts taken to the fair value reserve. This disclosure requirement is superfluous as it was repealed in SI 2015/980 and the FRC have confirmed that it will be removed in future editions of FRS 102 (the next edition is expected towards the end of 2017). Therefore, such a disclosure need not be made in the financial statements.

- In the extremely rare situation that a small company reports under EU-adopted IFRS, such standards allow certain financial instruments to be included in the accounts at fair value. Where this is the case for the small entity, the disclosures required by the relevant standards (e.g. IFRS 7 *Financial Instruments: Disclosures*) should be made.

Liabilities, guarantees and commitments

- In respect of the total value of items within creditors, disclose the total value of any liabilities which are repayable otherwise than by instalments and fall due for settlement (or repayment) after the end of the period of five years which starts with the first day after the balance sheet date. Where any instalments fall due for payment after the five-year period, the small entity should also disclose these amounts.
- If any security has been pledged for any items shown within creditors in the balance sheet, disclose the aggregate amount of such debts together with the nature and form of the security pledged.
- Where the small entity has any financial commitments, guarantees or contingencies that have not been included in the balance sheet, disclose such amounts. Any commitments relating to pensions should be separately disclosed.
- If the small entity undertakes any commitments for the benefit of another undertaking in which the small entity has a participating interest, it must separately disclose such commitments from any commitments it undertakes for the benefit of:
 - a parent;
 - a fellow subsidiary; or
 - any subsidiary belonging to the small entity.
- When the small entity pledges any security for any commitments, guarantees or contingencies, then it must provide an indication as to the nature of form of such security.
- When the small entity has been a party to any an off-balance sheet arrangement and the risks or rewards from such arrangements are material, disclose the nature and business purpose of such arrangements.

The disclosure must be sufficient enough for a user to understand and assess the financial position of the entity.

Other notes to be disclosed

- If there are any exceptional sizes or incidences of individual items of income or expenses contained in the profit and loss account, these must be disclosed (such as an exceptional bad debt).
- A small entity is now required to disclose the average number of employees in the reporting period. In addition, this disclosure is required to be filed at Companies House as this disclosure relates to the employees within the business as a whole, rather than a payroll disclosure. Whilst the positioning of this disclosure in Section 1A is under the 'Notes supporting the income statement' section, the Financial Reporting Council do not consider the filing requirements at Companies House to be within their remit; so whilst the disclosure requirement does seem to be at odds with what would be required to be filed in, say, a set of 'filleted' accounts, the average number of employees is required to be filed on the public record. This disclosure will also be moved following the FRC's triennial review.

Related party disclosures

- Small entities which are subsidiaries should disclose the following information in respect of the parent of the smallest group for which consolidated accounts are prepared of which the small entity itself belongs:
 - the name of the parent that draws up the consolidated accounts;
 - the address of the registered office of the parent (this applies even if the registered office is outside of the UK); or
 - where the parent is an unincorporated entity, the address of its principal place of business.
- A small entity may enter into related party transactions with:
 - owners that have a participating interest in the small entity;
 - companies that the small entity itself has a participating interest; and
 - its directors or members of its governing body.

When the small entity enters into related party transactions with the above and those transactions are not undertaken on an arm's-length basis (referred to in the standard as not concluded under normal conditions), the small entity must disclose:

- the value of the transactions;
- the nature of the related party relationship; and
- any other information that will enable a user to understand the impact such transactions have had on the financial position of the entity.

The information above can be aggregated on the basis of the nature of the transactions. However, separate disclosure should be made if making such

separate disclosures enables an understanding of the effect that the transactions have had on the financial position of the business.

It should also be noted that transactions between group members need not be disclosed. This exemption only applies, however, if any subsidiary that is a party to the transaction is wholly-owned within the group.

Directors' transactions (advances, credits and guarantees)

The requirement to disclose directors' advances, credits and guarantees is dealt with in Section 413 of the Companies Act 2006.

- Where the small entity grants an advance or credit to a director, disclose:
 - a) the amount;
 - b) the interest rate;
 - c) the main conditions;
 - d) any amounts that have been repaid;
 - e) any amounts that have been written of; and
 - f) any amounts that have been waived.

Monetary amounts must be stated in respect of items a), d), e) and f).

- In respect of a guarantee, disclose:
 - a) its main terms;
 - b) the amount of the maximum liability that the small entity may incur; and
 - c) any amount that the small entity has paid and any liability that has been incurred to fulfil the guarantee which should also include any loss suffered by the small entity to enforce the guarantee.

Monetary amounts are required to be disclosed in respect of items b) and c).

Other disclosure requirements

- The part of the UK in which the small company is registered.
- The registered number of the business.
- Whether the small entity is a public or a private company and if the company is limited by shares or by guarantee.
- The address of the registered office.
- Where appropriate, the fact that the small entity is being wound up.
- Where the small entity has prepared abridged financial statements (and hence has combined items which have been assigned Arabic numbers in the statutory formats), if any items combined are material, disclose the individual amounts of any such items in the notes to the accounts.
- Any non-adjusting post-balance sheet events.

2.2.3 Encouraged disclosures

The directors of a small company have a legal obligation to prepare financial statements that give a true and fair view. Indeed, section 393 of the Companies Act 2006 prohibits directors from approving financial statements if they do not give a true and fair view.

The reduced disclosure requirements that the EU Accounting Directive brings effectively place more responsibility on the part of the directors to ensure that the financial statements which they approve give a true and fair view. This may mean that additional disclosures, over and above those required by Section 1A of FRS 102, are required.

To assist small company directors to discharge their legal responsibilities, the Financial Reporting Council included Appendix D to Section 1A Additional disclosures encouraged for small entities which requires the directors to consider whether any of the following are material and, if so, to make the required disclosures:

- A statement of compliance with FRS 102 (see paragraph 3.3 of FRS 102) which should be adapted so that it refers to Section 1A.
- Where the small entity is a public benefit entity, disclose such a statement as outlined in paragraph PBE3.3A.
- Where there are material uncertainties relating to the small entity's ability to continue as a going concern, provide the disclosures as set out in paragraph 3.9.
- Dividends that have been declared and paid (or payable) during the accounting period. Paragraph 6.5(b) of FRS 102 provides the requirements in this respect.
- On first-time adoption of FRS 102, the transitional disclosure information as required by paragraph 35.13.

TOO MUCH DISCLOSURE LTD – SOLUTION

	Issue	Over-disclosure, under-disclosure and debatable issues
Company information	Typo?	The company number is too long!
Directors' report	Over-disclosure	There is no need to disclose principal activity – but it is understandable that companies might choose to.
Directors' report	Optional	The reappointment of auditors section is missing – but it is not a legal requirement.
Auditor's report	Missing/debatable	Bannerman! However, ACCA do not encourage the use of Bannerman (see section 8.1.1 below).
Auditor's report	Missing	The CA 2006 opinion on the directors' report being in compliance with applicable legal requirements.
Auditor's report	Wrong place	The statement on there being no misstatements in the directors' report is more commonly placed in the Reporting by exception section of the report.
Auditor's report	Filing	The audit report would be removed before filing and the s444(5) disclosures would be added when the filleted accounts are prepared.
P&L	Option missed	The P&L is not abridged. This is not a very popular option as it rarely shows a true & fair view and is pointless.
P&L	Optional	There is no requirement for an operation profit heading.
Balance sheet	Needed for true and fair?	There might need to be a provisions note to show a true & fair view.
Balance sheet	Not required	The separate P&L reserve (presumably in respect of the gains on the investment properties) is not required, but it is a common presentation. This could have been in the SOCIE.
Balance sheet	Interesting point	The s444 disclosure can appear in the full accounts but usually it gets inserted in the filleted accounts before filing.
Balance sheet	Option missed	The balance sheet is not abridged. This is a more common option but many accountants do not feel the need to use the exemption.

SOCIE	Encouraged presentation	It might only be encouraged but most accountants include the SOCIE for a T&F view. Alternatively, a SOIRE could have been produced.
Note 1	Interesting point	Arguably the s396 disclosure is inadequate because various details, such as the company number and the fact that it is a private company is missing. However, this sort of information is elsewhere in the accounts, including the company information page, or is self-evident.
Note 1	Missing	FRS 102 requires the principal place of business to be disclosed, where it is different from the registered office. In this case the registered office is clearly the auditor's office.
Note 2	Interesting point	There is no need to mention Section 1A in the statement of FRS 102 compliance, although it does no harm.
Note 2	Encouraged disclosure	The statement of compliance itself is only an encouraged disclosure.
Note 2	Over-disclosure	The principal activity does not have to be disclosed in small companies.
Note 2	Encouraged disclosure	The transition disclosure an encourage disclosure. Disclosure of the transition date is also, presumably, encouraged but when there are no transitional adjustments this seems superfluous. The statement that there are transitional adjustments is stated by ICAEW as 'good practice', and seems like a good idea.
Note 2	Over-disclosure	The statement on the presentation currency is not needed in small companies.
Note 2	Wrong disclosure	The revenue recognition note is wrong and uses boilerplate wording. The company does not supply services and needs something much more specific to its activities.
Note 2	Over-disclosure	The goodwill accounting policy note is superfluous as there is no goodwill in the balance sheet.
Note 2	Over-disclosure	The disclosure that the investment properties are valued by qualified surveyors is not required for small companies.
Note 2	Over-disclosure	A number of the other accounting policy notes could be superfluous as they do not represent significant accounting policies.

Note 2	Over-disclosure	The going concern note is not required. Going concern disclosure is only needed where there are material uncertainties casting significant doubt about the appropriateness of the going concern basis. If there were such concerns they would usually be disclosed more prominently than the end of the accounting policy note.
Note 3	Over-disclosure	The other operating income note is not needed for small companies.
Note 5	Over-disclosure	The auditor's remuneration disclosure is not needed for small companies. This disclosure reduction was not available for early adoption unlike the rest of FRS 102 1A.
Note 7	Over-disclosure	The intangible assets note does not seem to add much, disclosing that the goodwill is fully amortised.
Note 11	Over-disclosure	The creditors note, unnecessarily, presents the corporation tax creditor separately. This could be included in the tax and social security heading.
Note 11	Interest point	The disclosure of the nature of the security is required by FRS 102 1A. The FRSE did not require this disclosure.
Note 12	Over-disclosure	The finance lease disclosures are not required for small companies.
Note 12	Error	The lease creditor due in less than one year is wrong.
Note 13	Over-disclosure	The deferred tax note is not required for small companies. Note. Neither is the current tax note.
Note 14	Over-disclosure	Small companies do not have to disclose the classes of shares, nominal values or the number of shares. All that needs to be disclosed in the split between allotted, called up and fully paid.
Note 15	Over-disclosure	This pension note is not required for small companies. All that has to be disclosed are year-end pension commitments and there are none, in this instance.
Note 16	Over-disclosure	FRS 102 1A only requires the disclosure of the aggregate of financial commitments, contingencies and guarantees. Yet to show a true and fair view it might be necessary to disclose the banding of the operating lease commitments. In this case the figures are not sufficiently material to need banding.

Note 17	Under-disclosure	Whilst FRS 102 1A only requires the disclosure of the aggregate of financial commitments, contingencies and guarantees, it is often necessary to disclose more than this to show a true and fair view. In this case more thorough disclosure is needed to understand the impact of such big potential commitments on the company.
Note 19	Over-disclosure	The transactions with Perfect Paisley Ltd and Seriously Stripy Ltd do not need to be disclosed because there is no need to disclose transactions with companies under common control.
Note 19	Interesting issue	The other disclosures are s413 disclosures. Directors advances, credits and guarantees are required to be disclosed.
Note 20	Over-disclosure	The disclosure of controlling parties is not required in small company accounts. Although, small companies do have to disclose the name and address of their parent company if the parent prepares group accounts