

1. FRS 105 REMINDER (LECTURE A630 – 8.27 MINUTES)

Where a micro-entity client in the UK has opted to prepare its financial statements for an accounting period commencing on or after 1 January 2017 (i.e. a 31 December 2017 year-end onwards) under FRS 105 *The Financial Reporting Standard applicable to the Micro-entities Regime*, it is worth emphasising to check that the additional disclosure requirements have been made at the foot of the balance sheet.

FRS 105 was amended as part of the FRC's triennial review. For micro-entities in the UK, two additional disclosure requirements in respect of off-balance sheet arrangements and employee numbers are now required. These additional disclosures should have been made for accounting periods starting on or after 1 January 2016, but were omitted from FRS 105 (July 2015).

Therefore, for 31 December 2017 year-ends onwards, please ensure that your micro-entity clients reporting under FRS 105 disclose:

- (a) off-balance sheet arrangements as required by section 410A of the Companies Act 2006;
- (b) employee numbers as required by section 411 of the Companies Act 2006;
- (c) advances, credit and guarantees granted to directors as required by section 413 of the Companies Act 2006; and
- (d) financial commitments, guarantees and contingencies as required by regulation 5A of, and paragraph 57 of Part 3 of Schedule 1 to, the Small Companies Regulations.

The consequence of failing to make the required disclosures is that the presumption that the micro-entity's financial statements give a true and fair view because they have been prepared in accordance with the legally required minimum will not be achieved.

In addition, don't forget the section 396(A1) information which is required as follows:

- (a) the part of the UK in which the micro-entity is registered;
- (b) the micro-entity's registered number;
- (c) whether the micro-entity is a public or private company and whether it is limited by shares or by guarantee (note as micro-entities cannot be public companies, all micro-entities will refer to themselves as being private);
- (d) the address of the micro-entity's registered office; and
- (e) where appropriate, the fact that the micro-entity is being wound up.

While accounts production software systems will often generate the disclosures as a matter of course, it is always worthwhile taking some time to check that the disclosures are in accordance with company law.