



# *Topical reporting issues for small and micro entities*

06 December 2022

This webinar will commence shortly .....

# ***Introduction***



Sally Baker  
Head of Corporate Reporting Policy, ICAEW

# *Today's presenters*

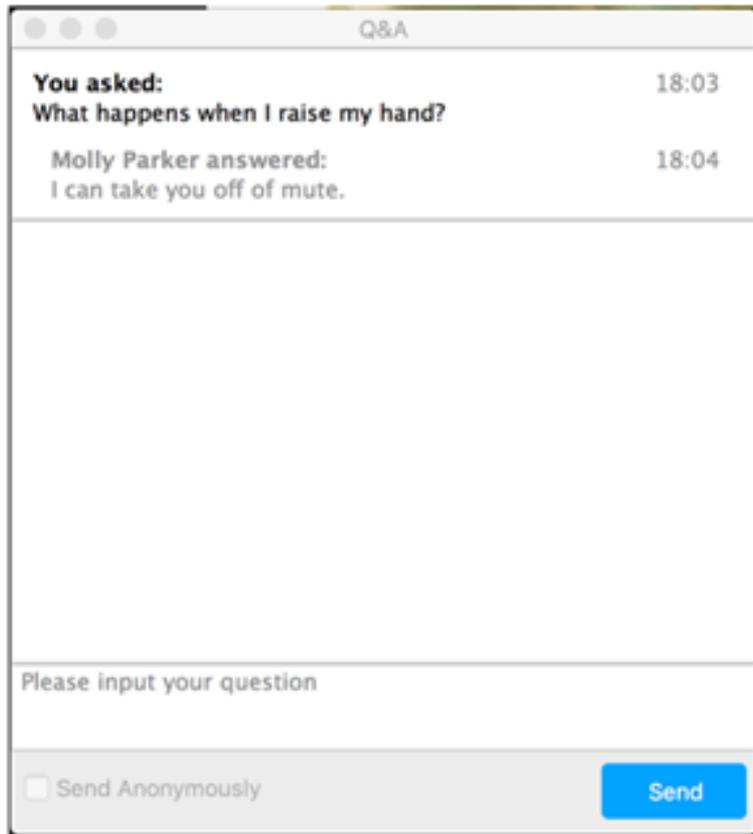


Stephanie Henshaw  
Partner  
PKF Francis Clark



Sophie Parkhouse  
Partner  
Albert Goodman

# Ask a question and access resources



The screenshot shows a Q&A window with a title bar containing three window control buttons and the text 'Q&A'. The main content area displays a question and answer:

**You asked:** 18:03  
What happens when I raise my hand?

**Molly Parker answered:** 18:04  
I can take you off of mute.

Below the answer is a large empty text input field with the placeholder text 'Please input your question'. At the bottom left of the input area is a checkbox labeled 'Send Anonymously'. At the bottom right is a blue button labeled 'Send'. An arrow points from the 'Send' button to the text on the right.

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## ***To ask a question***

Click on the **Q&A** button in the bottom toolbar to open the question box.

Type in your question and press **send**.

Note: If you wish to ask your question anonymously check the **send anonymously** box shown on the illustration on the left.

# ***Contents***

Cost of living crisis: Impact on small and micro company accounts

Sustainability and financial reporting impact

Persons with Significant Control (PSC)

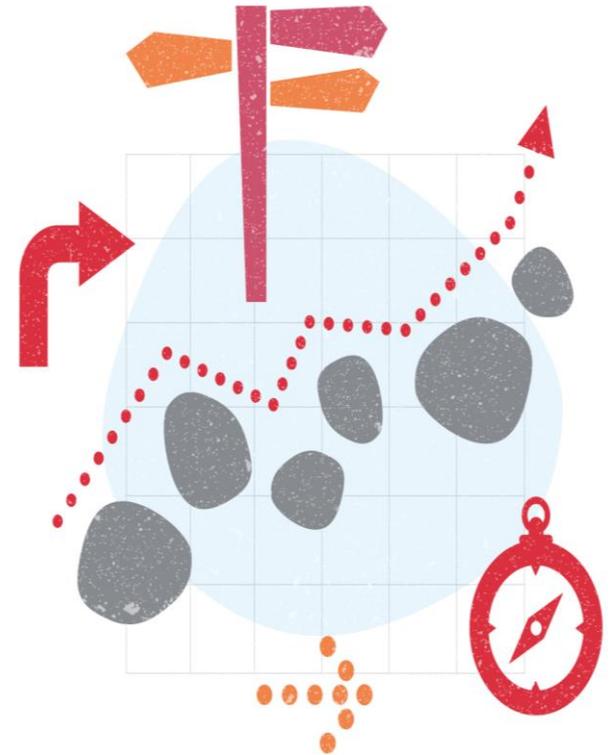
Economic Crime Bill: Impact on small and micro companies

Future of UK GAAP

# COST OF LIVING CRISIS: IMPACT ON SMALL AND MICRO COMPANY ACCOUNTS

Stephanie Henshaw

Partner, Head of Audit and Financial  
Reporting



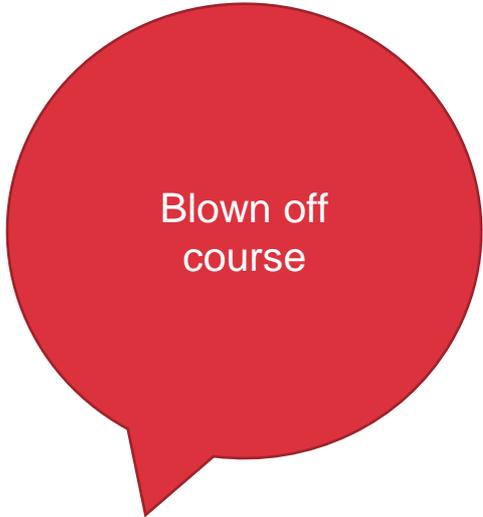
## A CHALLENGING ENVIRONMENT?



Staying on track



Battling  
headwinds



Blown off  
course

## GOING CONCERN: CORE PRINCIPLES



### Responsibility

Management/ directors

All available information, especially cash flow forecasts



### Exceptions to Going Concern basis

Intend to liquidate/ cease trading

No realistic alternative



### Period

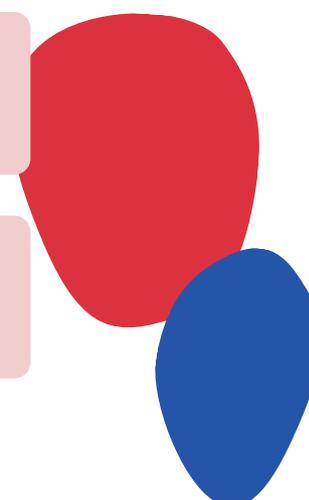
At least 12 months from approval



### Disclosure\*

Material uncertainties casting significant doubt

Not prepared on going concern basis



## FORECASTING IN A CHALLENGING ENVIRONMENT



### Assumptions about performance

Price of inputs – fuel, raw materials, employees  
Market for outputs – discretionary v necessary spending



### Working capital

Cash collection  
Loan repayments (e.g. BBLs) or clawback  
Lease commitments

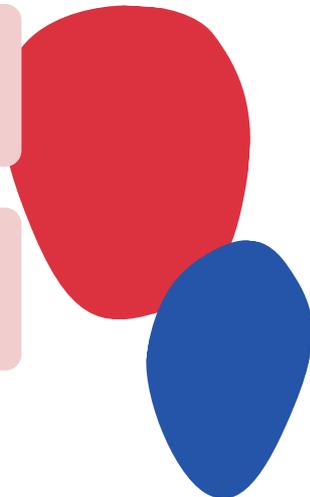


### Financing

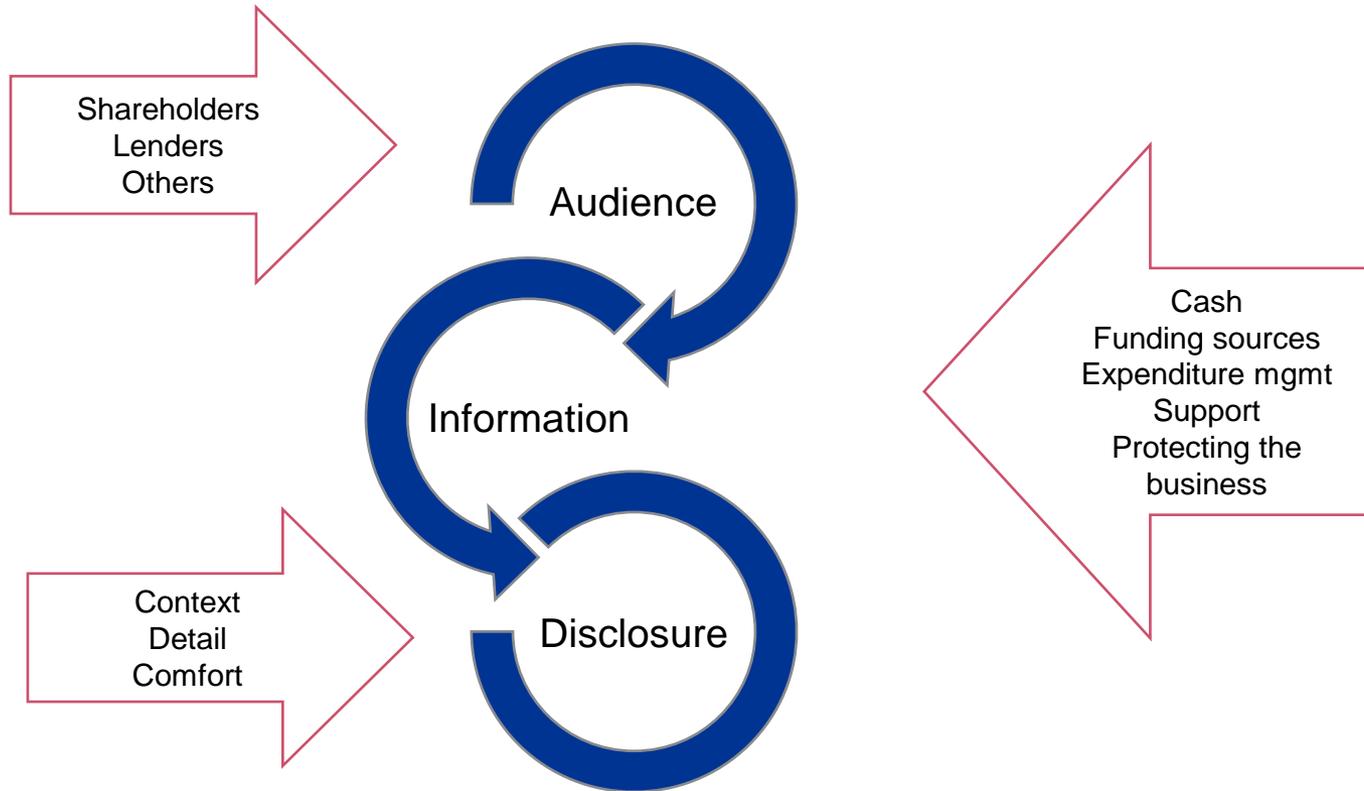
Interest rate fluctuations  
Directors' loans  
Sources and amounts of further support



### Sufficient cash, or access to cash?



# EXPLAINING GOING CONCERN: FACTORS TO CONSIDER



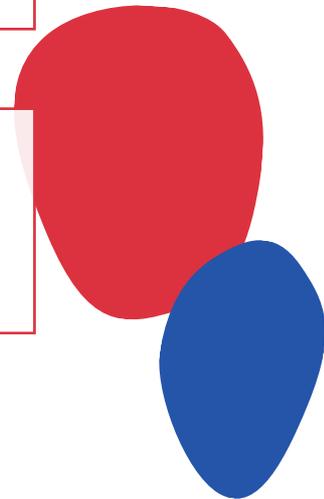
## BASIS OTHER THAN GOING CONCERN?

### Depends on circumstances

- Write down assets to recoverable amount (impairment)
- Provide for onerous contracts
- Potential reclassification of long-term creditors as due within one year

### Disclosure

- Required for FRS 102 S1A to give true and fair view
- Good practice for FRS 105 – not the “usual” basis



## USEFUL RESOURCES

EXCLUSIVE ICAEW KNOW-HOW | GUIDE

# Going concern considerations - a guide for FRS 105 preparers

Helpsheets and support

Published: 06 Sep 2022 | Updated: 06 Sep 2022

EXCLUSIVE ICAEW KNOW-HOW | GUIDE

# Going concern considerations - a guide for FRS 102 preparers

Helpsheets and support

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## DO I NEED TO CONSIDER IMPAIRMENT?



Market values



Interest rates

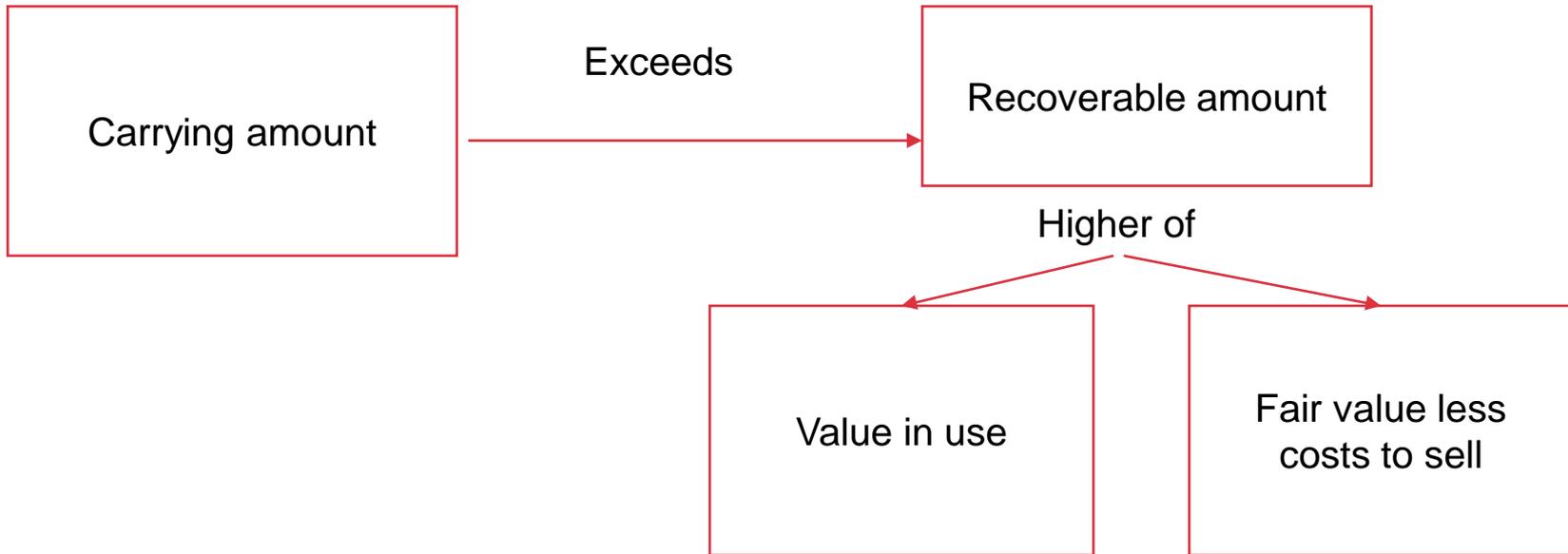


Cost base



Income streams

# IMPAIRMENT ADJUSTMENT REQUIRED WHEN....



## ASSESSING VALUE IN USE

- Basis of assessment?
    - Individual asset
    - Cash Generating Unit
- 
- Components
    - Forecast cash flows
    - Exclusions – financing, tax, future restructuring
    - Growth rates – beyond forecast period, assumptions
    - Discount rate – pre-tax, entity risks, TVM

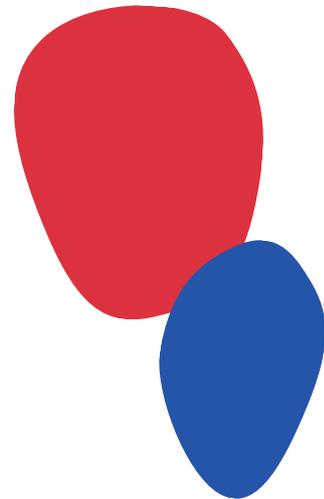
## USEFUL RESOURCE

**ICAEW**  
FINANCIAL REPORTING FACULTY

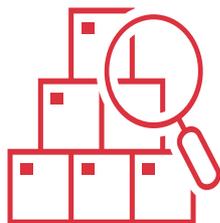
### **IMPAIRMENT OF ASSETS**

FRS 102 Factsheet

*Practical help in a complex world*



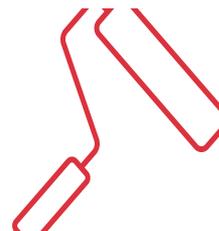
## ADDITIONAL PROVISIONS REQUIRED?



### Onerous contracts

A contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it

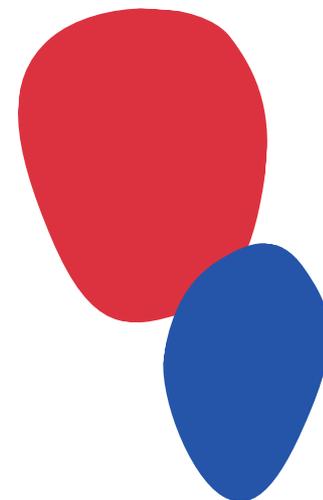
- Remaining lease on vacated premises
- Fixed purchase price contract > income generated



### Dilapidations

Best estimate of costs, based on current prices

- Remaining period of lease
- Impact of rising costs on estimate of obligation





# Sustainability and financial reporting impact

## **Where are you / the majority of clients on your sustainability journey?**

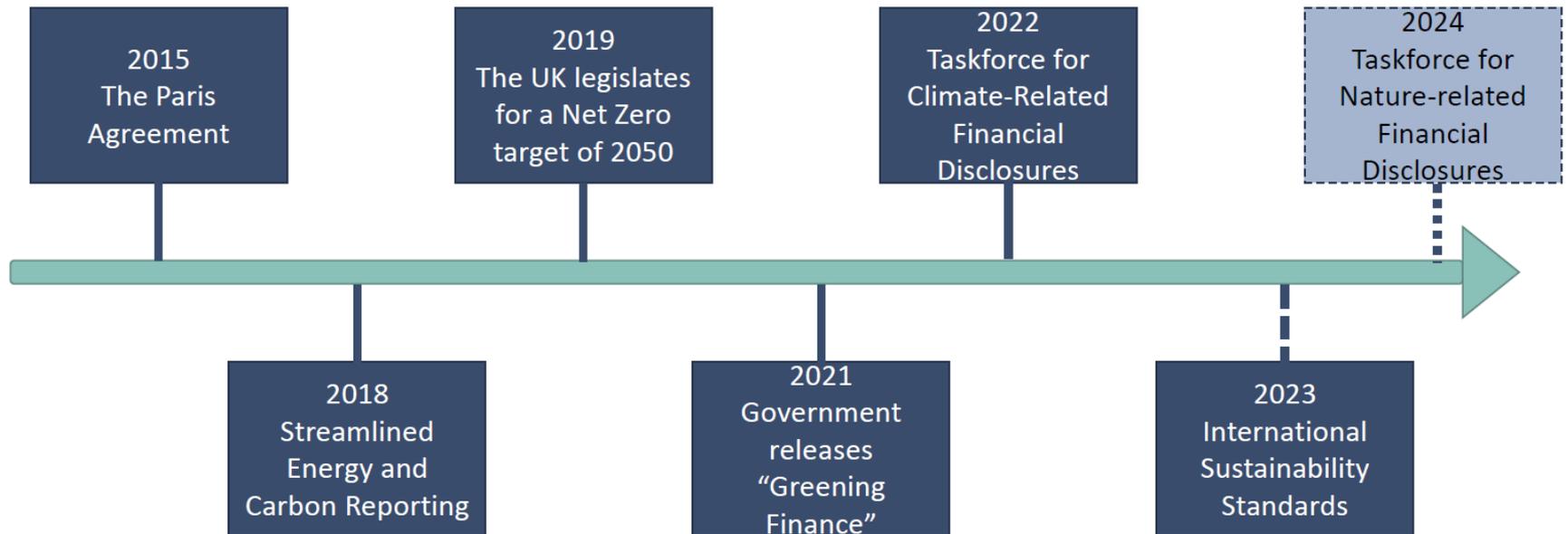
- Not started and do not intend to until mandated
- Have thought about it but not taken any action
- Are working on some sustainability projects but do not have a net zero commitment
- Actively working towards set sustainability goals



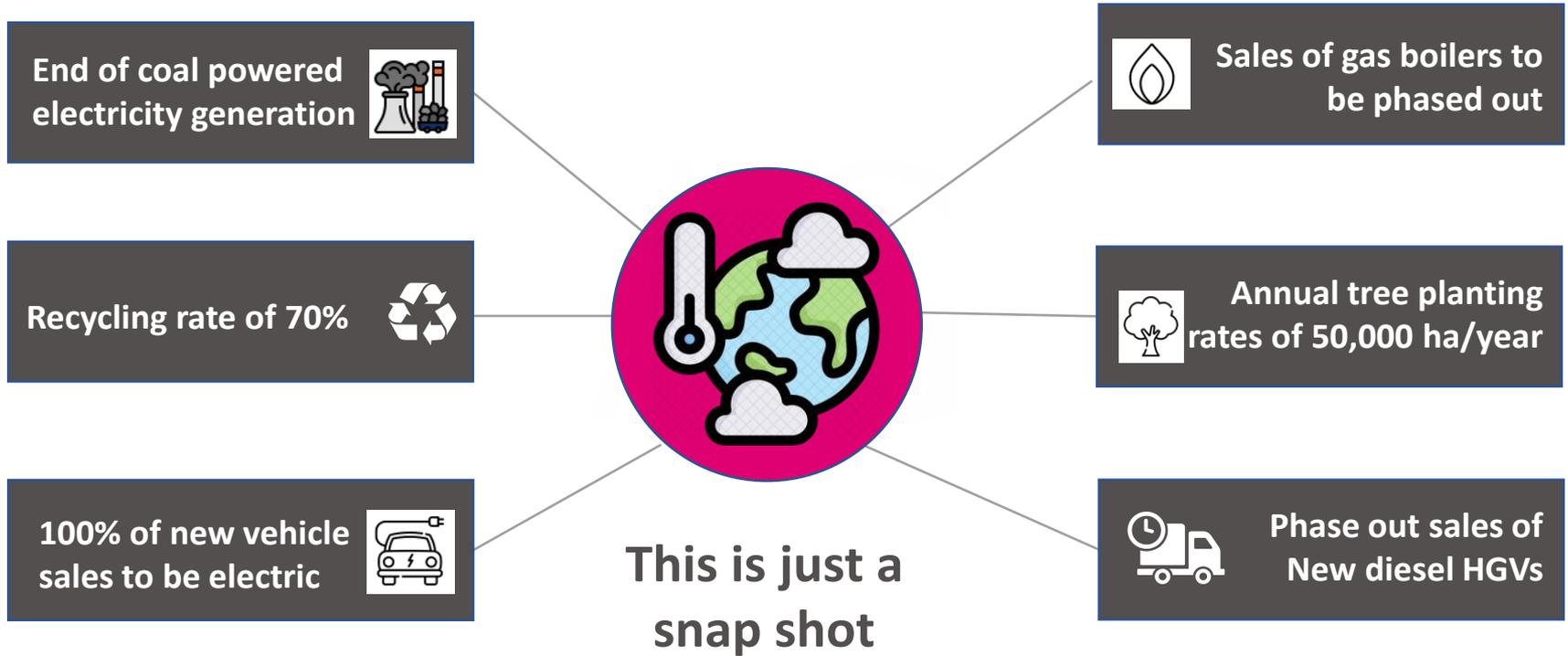
Sustainability

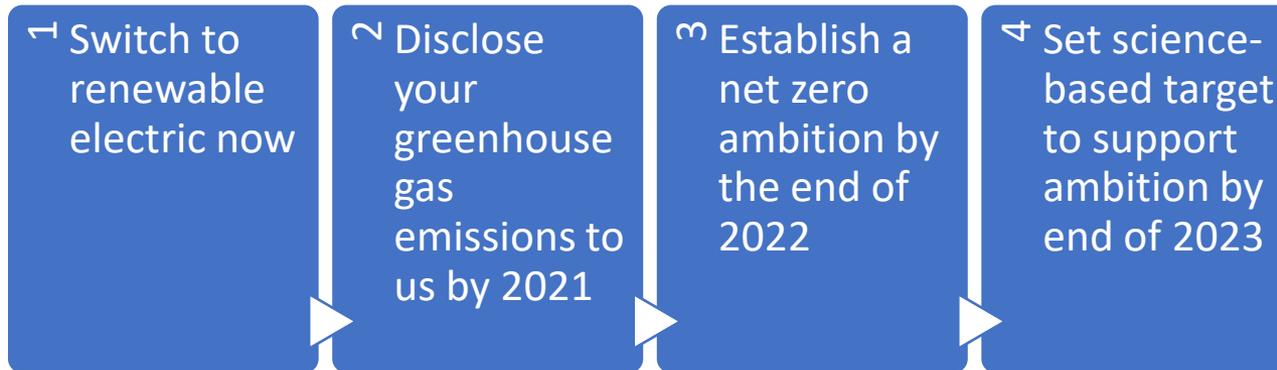
- Regulation
- Future changes
- Net zero
- Reporting options

# Sustainability Regulation



# Future changes coming down the line





## Banks are having discussions with their clients

- Government green finance targets
- Impact on future interest rates?
- Impact on availability of finance options
- Green finance options
  - ESG backed loans
  - Funding for energy efficient assets

## [Our sustainability commitments - Lloyds Banking Group plc](#)

Our **Insurance and Wealth** business has set its target to reach **net zero** by 2050 across its entire portfolio

and is **dinvesting** **£440m** from companies failing to meet our **ESG** standards

We **won't** provide general purpose banking to new customers with revenue from **coal-fired** power stations in the UK

# Our people



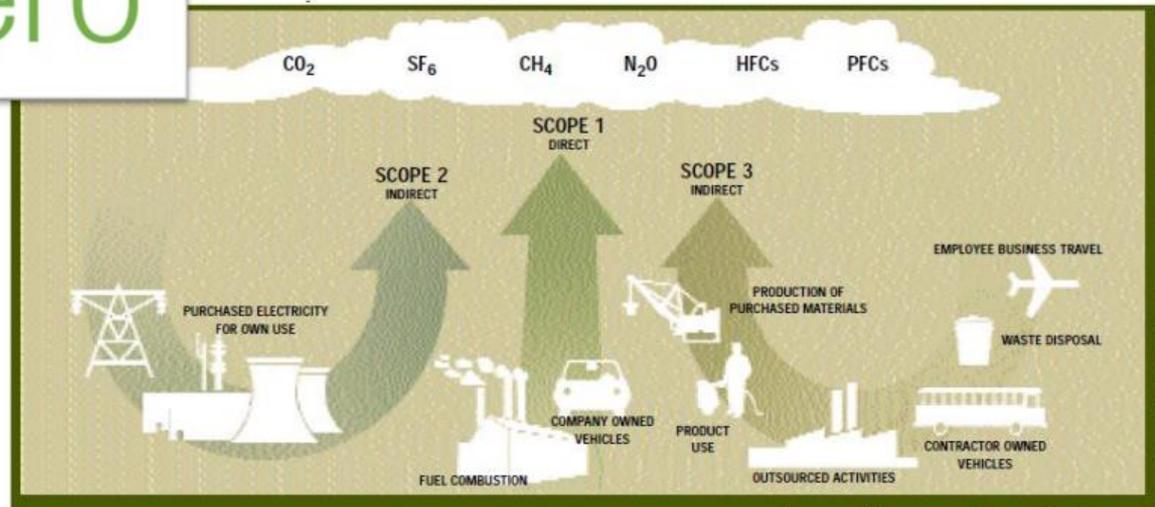
**Wellbeing**



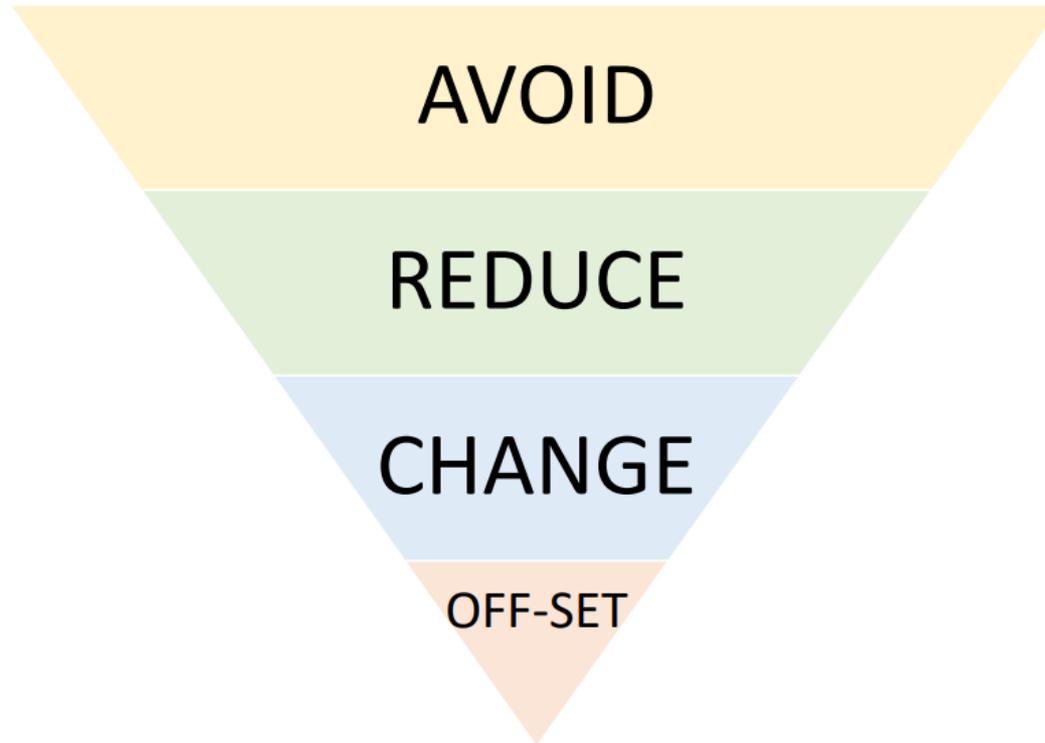
**Reputation**

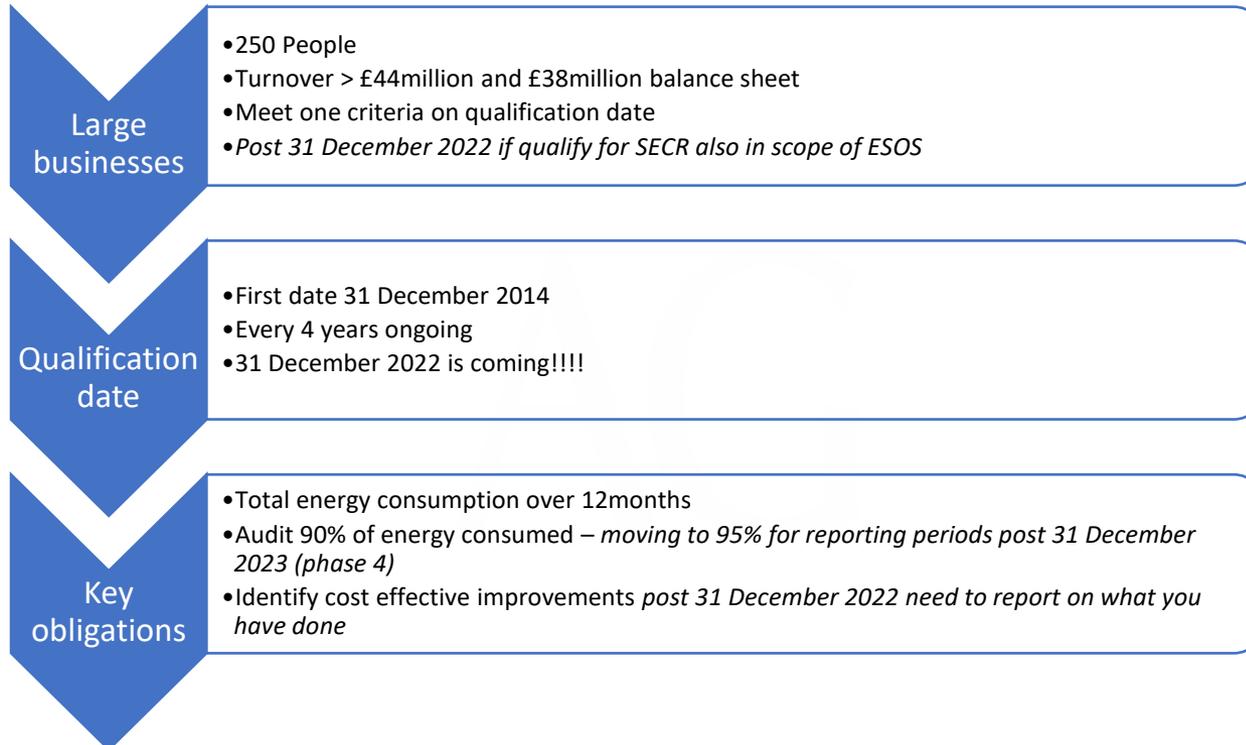
# What should businesses be thinking about?

# Net Zero



Greenhouse Gas Protocol





This is a  
good  
voluntary  
reporting  
framework

Environmental Reporting Guidance & 2018 Energy  
and Carbon Amendments to the Director's report

Large & Medium Companies

Exceptions

Carbon  
Footprint

Energy  
Consumed

Measures  
taken

**What do you feel are the barriers to voluntary reporting in financial statements?**

- Hadn't considered it / didn't know it was an option
- Reluctance to share more information than is mandated
- Lack of time and resources to do more than what is required
- Insufficient / unproven benefits to voluntary reporting
- There are not enough other entities reporting voluntarily

# Persons with Significant Control (PSC)

- **PSC & AML Regulation Interaction**
- **PSC Criteria**
- **Beneficial Ownership Criteria**
- **Reporting Requirements**

5<sup>th</sup> AML directive requires discrepancies in a PSC register to be reported

Need to check at client take on phase

Soon to be extended to ongoing due diligence requirement

## 5 x PSC criteria

---

Directly or indirectly holding more than 25% of the shares

Directly or indirectly holding more than 25% of the voting rights

Directly or indirectly holding the right to appoint or remove a majority of directors

Otherwise having the right to exercise, or actually exercising, significant influence or control over the activities of the trust or firm

Having the right to exercise or actually exercising significant influence or control over the activities of a trust or firm which is not a legal entity, but would itself satisfy any of the first four conditions if it were an individual

## REGISTERED LEGAL ENTITIES (RLE)

### Registered legal entities

PSC is an individual by definition

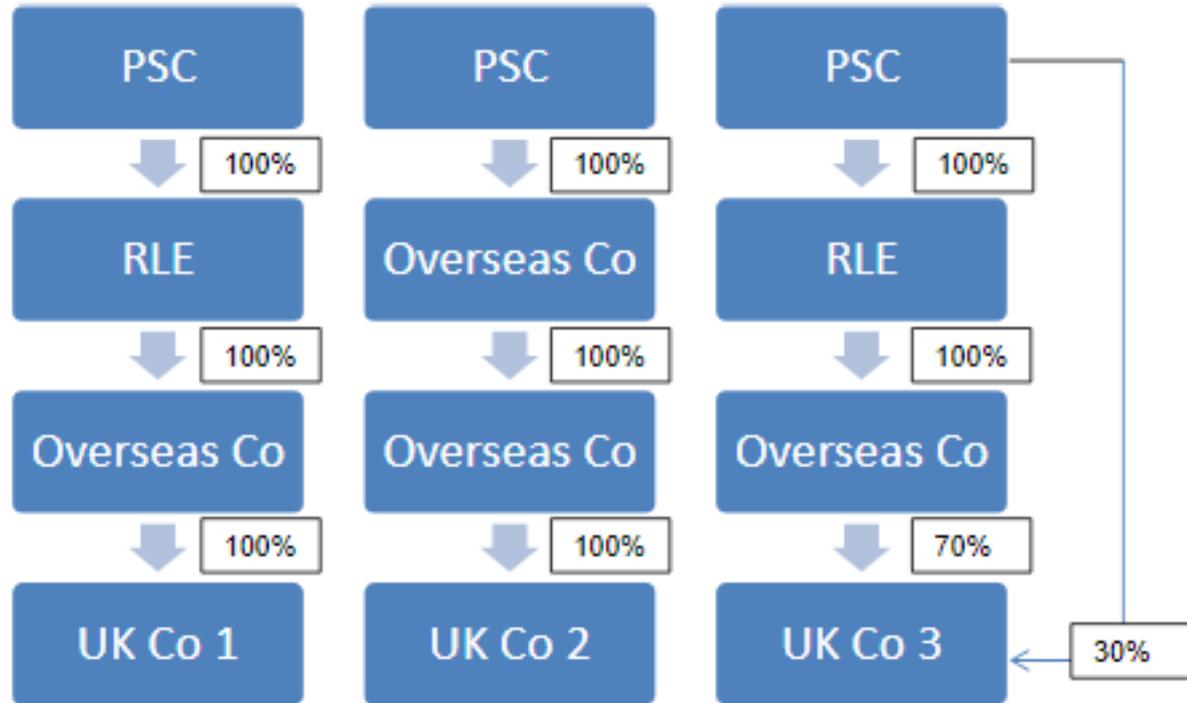
Relevant criteria:

- Keeps own PSC register
- Subject to Disclosure and Transparency Rules (DTR)
- Admitted to regulated stock exchange

Registrable criteria:

- First RLE in ownership chain

# RLE Example



## Beneficial ownership v PSC

### Beneficial ownership AML

>25%

Exercising of control

Involvement in day to day

Ability to make decisions

Influence over funds

CCAB AML guide:

*“In many cases, judgements will have to be made (for example, over effective control of an entity). Some of these judgements will be finely balanced. For this reason, businesses should document all decisions and the bases on which they are formed.”*



# ECONOMIC CRIME BILL: IMPACT ON SMALL AND MICRO COMPANIES



## ECCT BILL: REFORMS AT COMPANIES HOUSE



Better quality data,  
including cross-checking  
and rejecting data



More use of technology  
to improve information  
on register



Compulsory ID for  
directors, PSCs and  
“presenters”



Eliminate abridged and  
“filleted” filing options for  
small and micro  
companies



Enhance protection of  
information about  
individuals



New fee rates for  
incorporation and  
confirmation statements

## POLL QUESTION

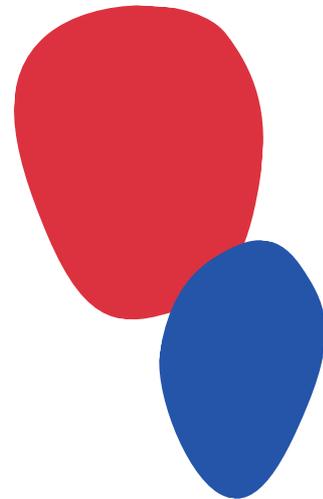
- In relation to the proposed removal of abridged accounts and the “filleted” filing option, with which statement do you most identify:
- Small and micro companies being required to file their P&Ls will improve the quality of information on the public register
- I/my clients will be unhappy at the loss of privacy over my/their results
- Eliminating abridged and filleted accounts will reduce costs
- I don't think the changes will make much difference

## ARE YOUR ACCOUNTS FIT FOR FILING?

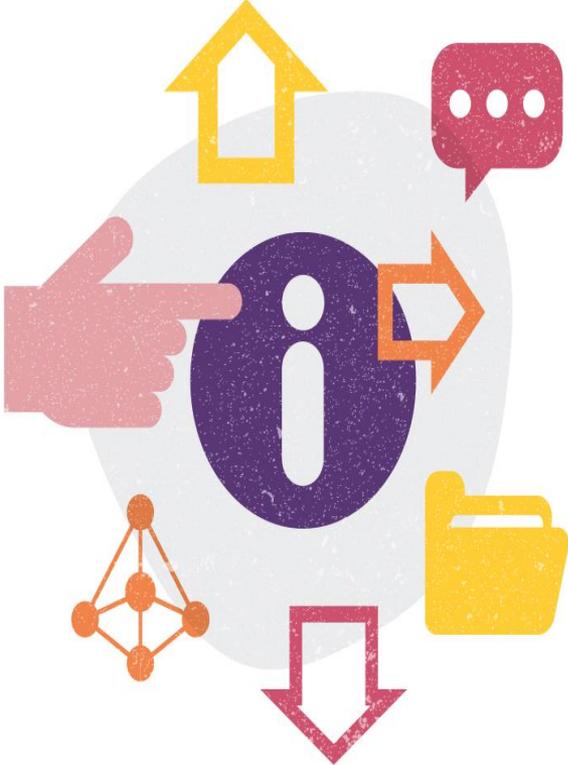
### Common problem areas

- Missing or incorrect header pages
- Incomplete or incorrect financial statement headings
- Missing statements e.g. audit exemption
- Dates or signatures missing

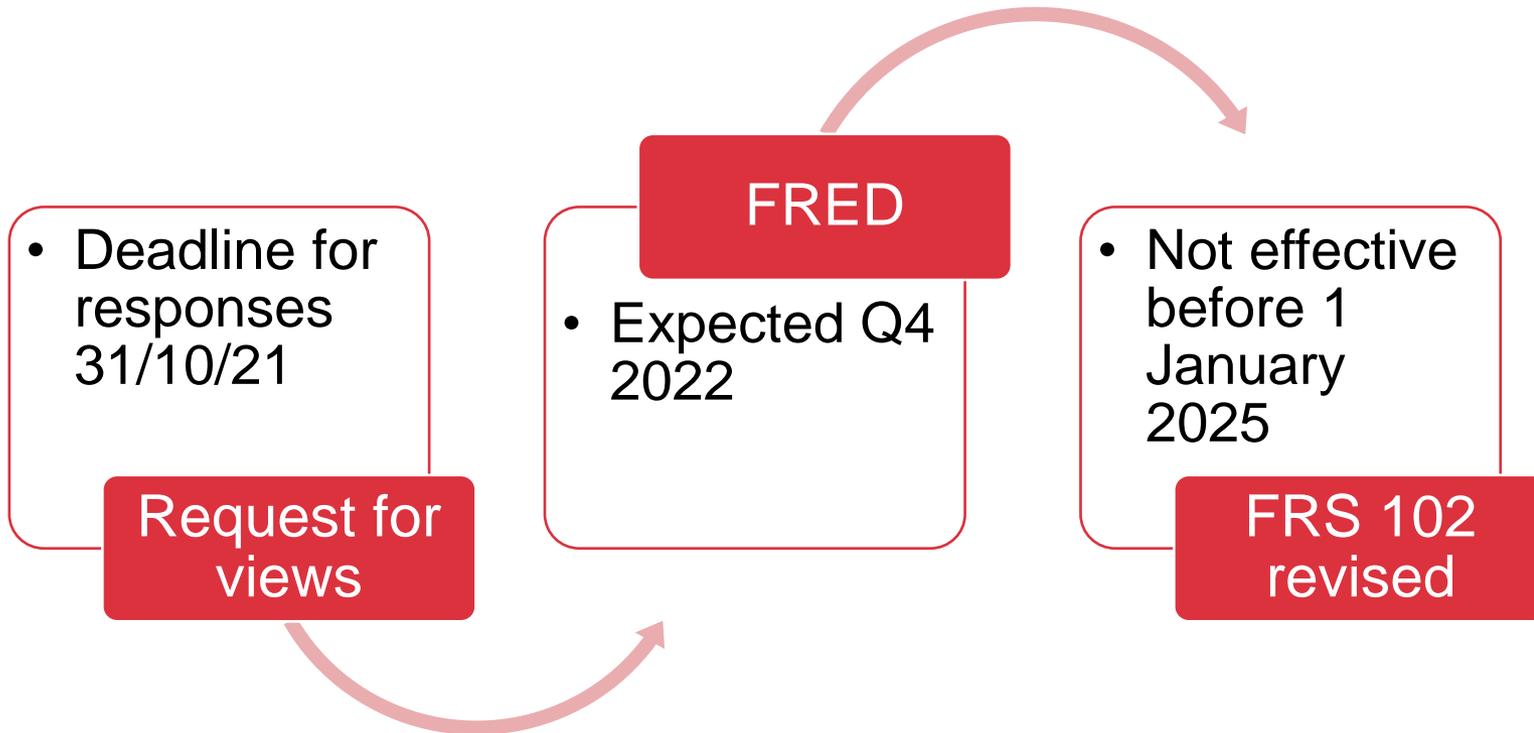
Note: recent improvements in Companies House checking processes



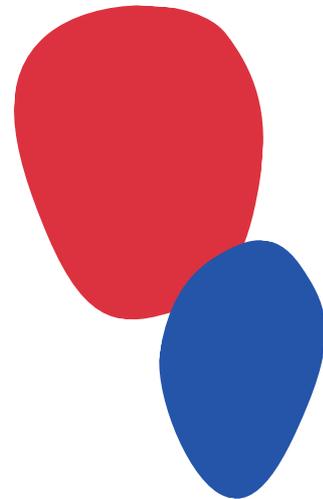
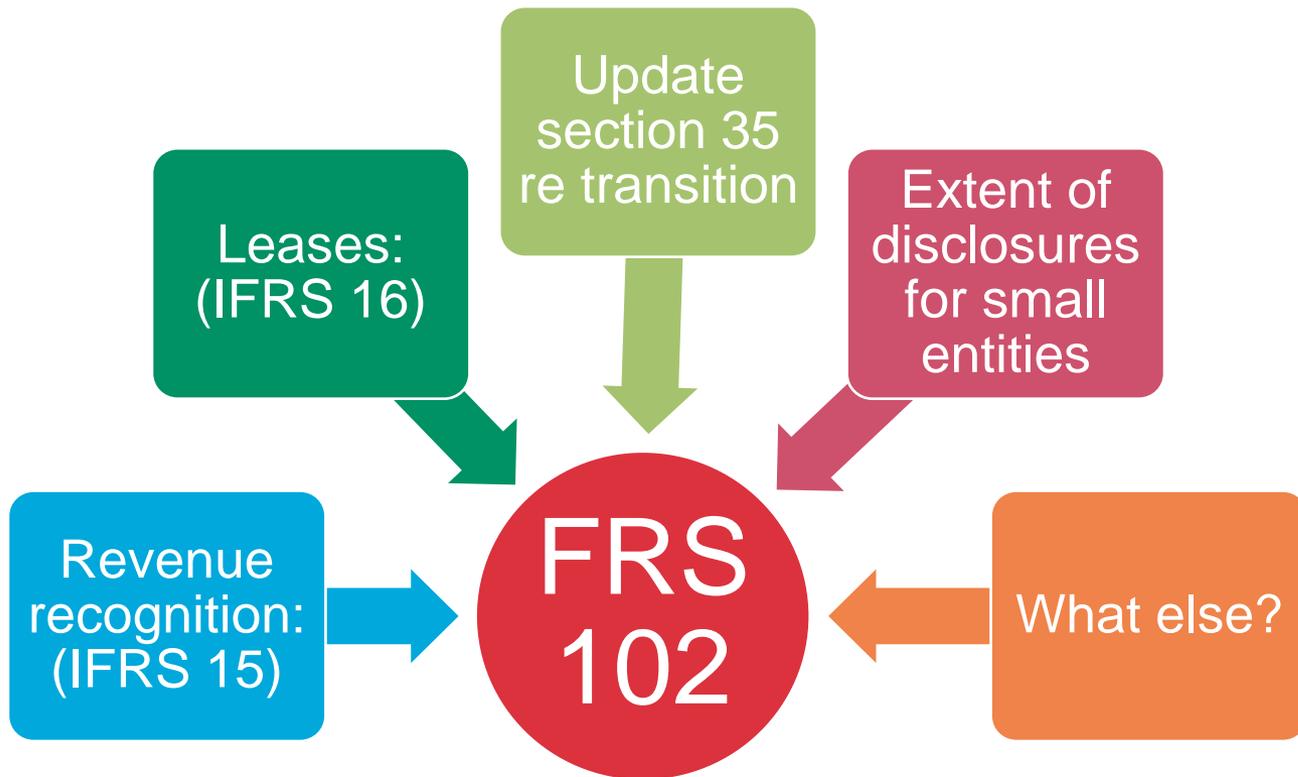
# WHAT NEXT FOR UK GAAP?



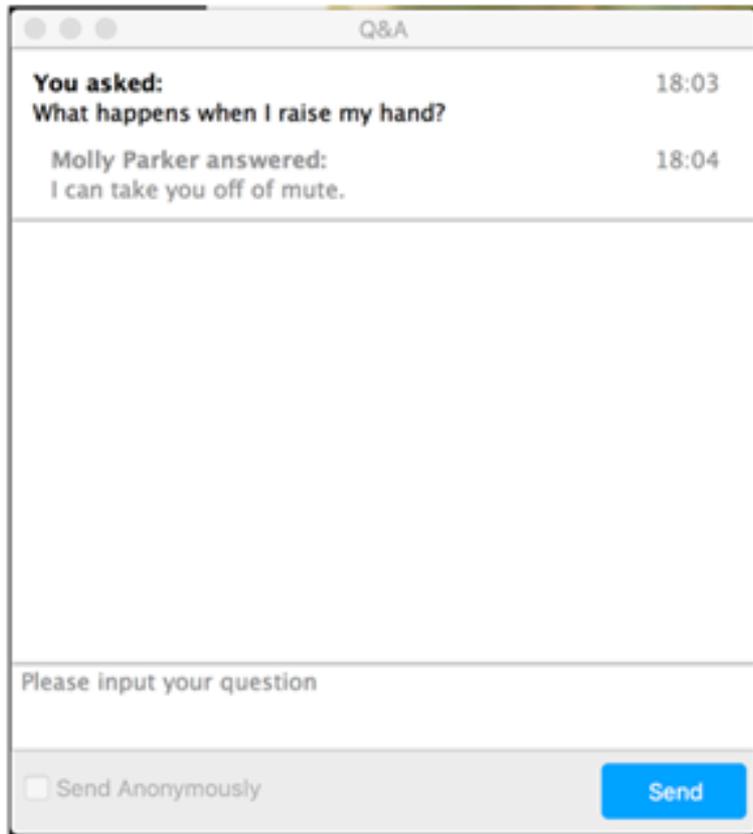
## SECOND PERIODIC REVIEW OF FRS 102



## POTENTIAL AREAS OF CHANGE?



# Ask a question and access resources



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# Faculty resources

## Hub pages

- Financial Reporting ([icaew.com/financialreporting](https://icaew.com/financialreporting))
- Non-financial reporting ([icaew.com/nfr](https://icaew.com/nfr))

## Factsheets ([icaew.com/frffactsheets](https://icaew.com/frffactsheets))

- 2022 UK GAAP Accounts
- Entitlement to the micro, small, medium and large companies regimes \*New\*
- Preparing and filing UK small entity accounts
- FRS 102 Impairment of assets

## Online guidance ([icaew.com/frfac](https://icaew.com/frfac))

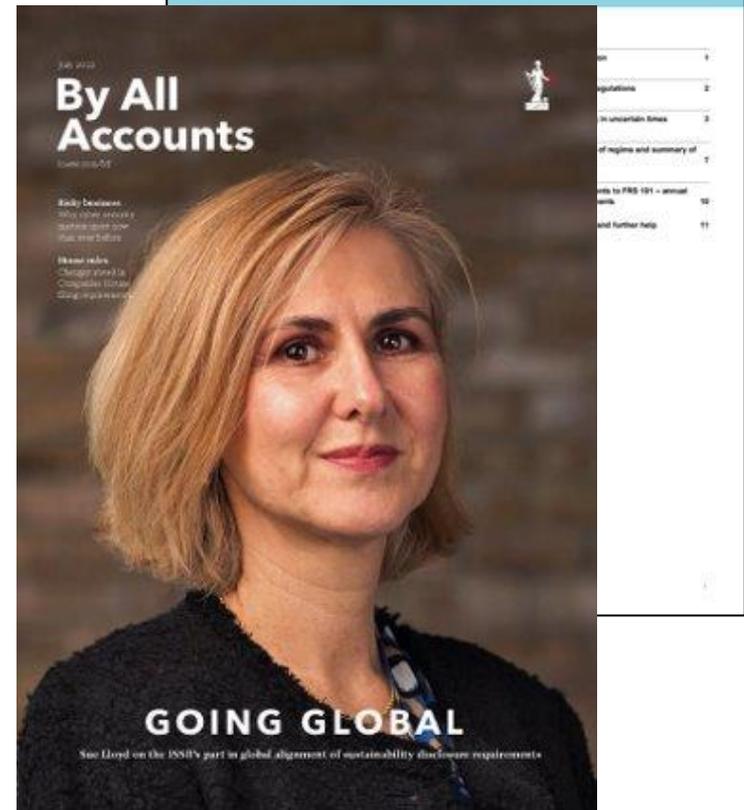
- Going concern guides
- How to distinguish adjusting from non-adjusting PBSE

## Webinars ([icaew.com/frfwebinars](https://icaew.com/frfwebinars))

- UK GAAP Update
- Narrative Reporting Update

## By All Accounts ([icaew.com/byallaccounts](https://icaew.com/byallaccounts))

- Transforming the company register (July 22 & Dec 22)
- Accounting for climate under FRS 102 (Jan 22 & Dec 22)



# Financial reporting at your fingertips

## Financial reporting

View a range of practical resources on UK GAAP, IFRS and UK regulation of financial reporting, and find out more about the ICAEW Financial Reporting Faculty.

### Need to know

The screenshot displays three content cards under the 'Need to know' section. The first card, 'Financial reporting news and insights', highlights the latest guidance from the Financial Reporting Faculty. The second card, 'Planning for the 2021/22 reporting season - Practical help for preparers', offers a guide on current reporting requirements. The third card, '2021 UK GAAP Accounts', details new and modified requirements for UK GAAP accounts starting from January 2021. Each card includes a list of sub-topics and a 'View more' button.

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# Questions



Stephanie Henshaw  
Partner  
PKF Francis Clark



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# *Thank you for attending*



Please take the time to fill out our short survey.



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