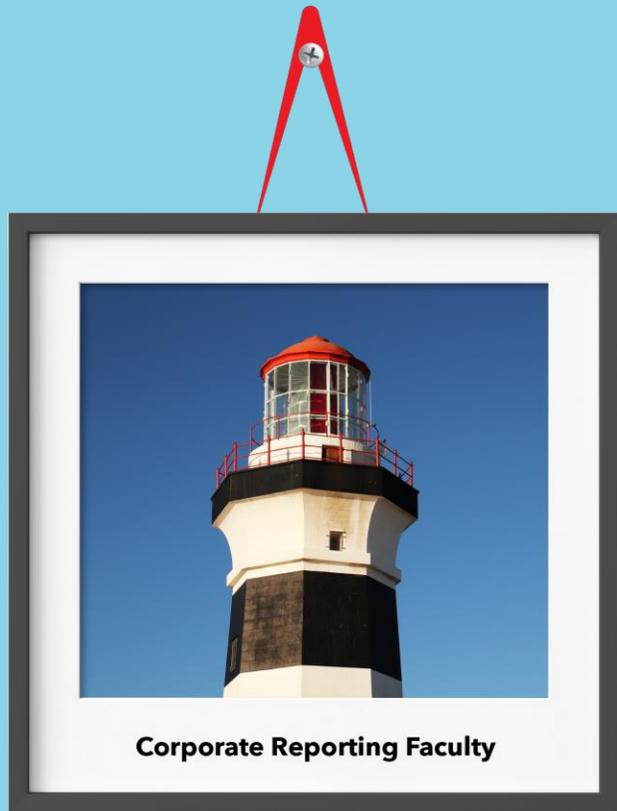




ICAEW KNOW-HOW
CORPORATE REPORTING FACULTY



Small and micro entities: topical reporting issues

22 JULY 2024

THIS WEBINAR WILL
COMMENCE SHORTLY

Introduction



Amy Trappe

Technical Manager, Corporate Reporting Faculty, ICAEW

Today's presenters

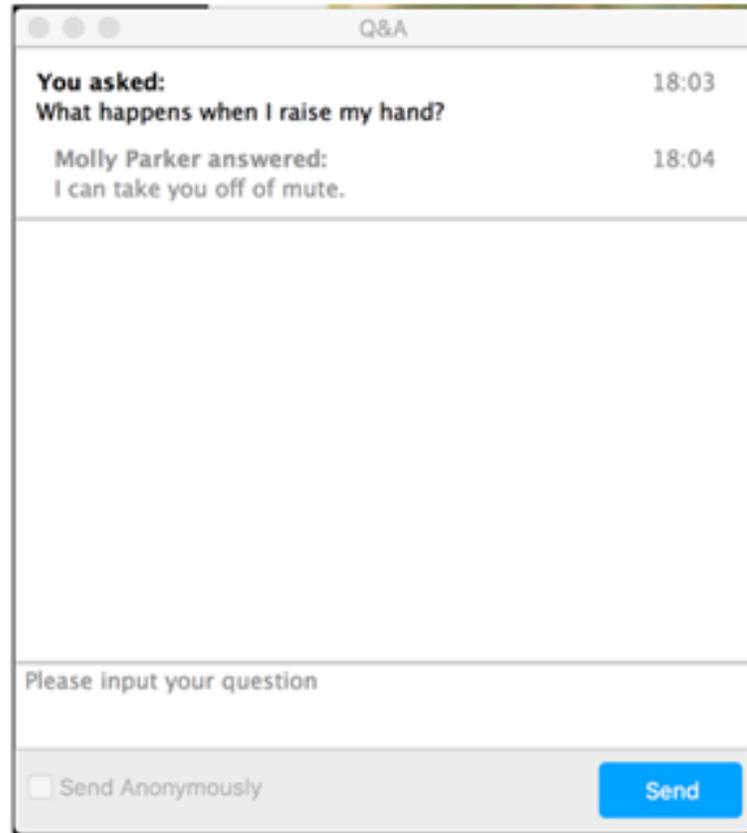


Peter Herbert
Director
Insight Training



Sarah Milsom
Manager
Albert Goodman

Ask a question and access resources



The screenshot shows a Q&A interface with a title bar 'Q&A'. It displays a question and answer history:

Text	Time
You asked: What happens when I raise my hand?	18:03
Molly Parker answered: I can take you off of mute.	18:04

Below the history is a large empty text area for asking a question. At the bottom, there is a text input field with the placeholder 'Please input your question', a checkbox labeled 'Send Anonymously', and a blue 'Send' button. An arrow points from the text 'press send.' in the adjacent text block to the 'Send' button.

Download resources

Link to slides in event reminder email

Access related resources, including the presentation slides at icaew.com/crfwebinars

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**.



Small and micro entities: topical reporting issues

Challenging times ...



Programme

Economic Crime and Corporate Transparency Act 2023

Potential changes in company size limits

What the UK GAAP periodic review means for small and micro entities

Overview of sustainability reporting issues

Poll question 1

Which UK GAAP accounting standard do you use most for reporting?

FRS 102 Section 1A Small Entities

FRS 105 The Financial Reporting Standard applicable to the Micro-entities Regime

It really does vary

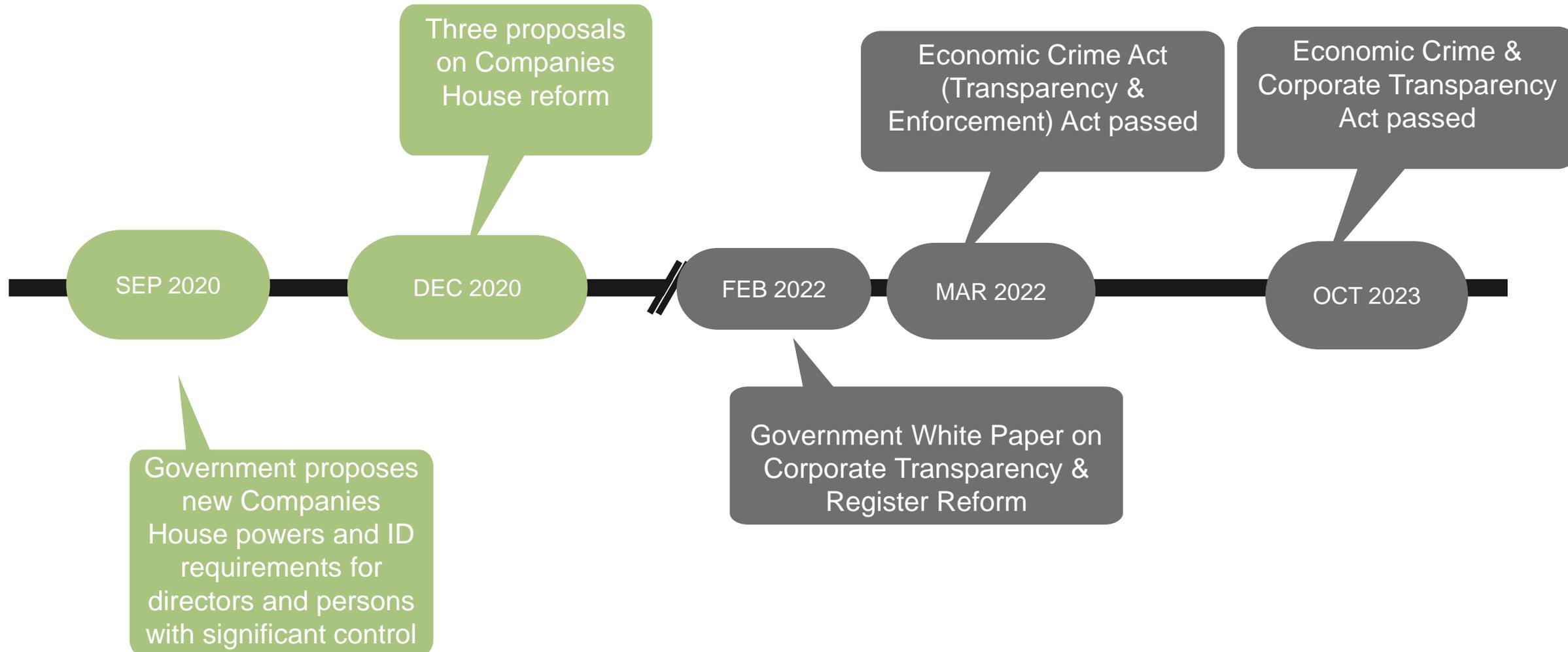
Do not know



Small and micro entities: topical reporting issues

**ECONOMIC CRIME AND CORPORATE
TRANSPARENCY ACT 2023**

The long and winding road ...!



Companies House filings

Directors' report –
except micro
entities

Full annual
members' accounts
including P&L

New BS statement
identifying and
confirming basis for
audit exemption

Abridged accounts
abolished

Restriction on
shortening
accounting
reference period

A chink of light ...?!

S468A CA06

Use or disclosure of profit and loss accounts for certain companies

- The Secretary of State may by regulations make provision requiring the registrar, on application or otherwise — (a) not to make available for public inspection profit and loss accounts, or parts of them, delivered to the registrar under— section 443A (micro-entities), or section 444 (other small companies); (b) to refrain from disclosing such accounts, or parts of them, except in specified circumstances

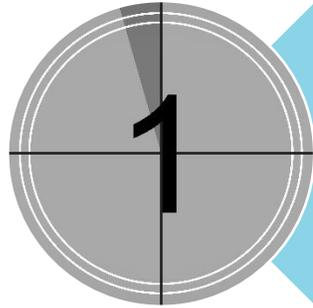
Companies House powers



Powers to ...

- Check – Remove – Decline
- Cross check information
- Protect personal information
- Sharing of data with other government departments
- Require electronic filing

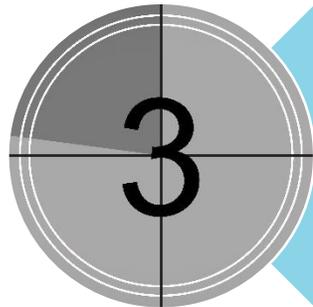
FAQs



Periods commencing 1 October 2024 seems the right time to introduce the new filing regime. Is that when it will happen?



Will electronic filing at Companies House be mandatory anytime soon?



Should we be advising clients to convert to unlimited companies to avoid getting 'caught out' by this?



Small and micro entities: topical reporting issues

POTENTIAL CHANGES IN COMPANY SIZE LIMITS



Companies House

PROPOSED CHANGES IN UK COMPANY SIZE THRESHOLDS

- Aim to provide more streamlined and simplified reporting.
- ≈132,000 firms will move to a lower size category.

AG

PROPOSED UK COMPANY SIZE THRESHOLDS

	Turnover (Not more than)		Balance Sheet (Not more than)		Employees (Not more than)
	Old	New	Old	New	
Micro	£632k	£1m	£316k	£500k	10
Small	£10.2m	£15m	£5.1m	£7.5m	50
Medium	£36m	£54m	£18m	£27m	250

PROPOSED UK COMPANY SIZE THRESHOLDS

What does this mean for your business/clients?

- Estimated 5,000 large companies to become medium, 13,000 medium to small and 113,000 small to micro.
- Save time and resource on reporting.
- Consider on a case-by-case basis.

The logo consists of the letters 'AG' in a bold, pink, sans-serif font, centered within a white square. The square is positioned in the bottom right corner of the slide, overlapping a large pink triangular graphic that points towards the top right.

AG

PROPOSED UK COMPANY SIZE THRESHOLDS

When will this apply?

Intention was for financial years starting on or after 1 October 2024.

Are there any other changes being considered?

Employee increase from 250 to 500.

Removal of strategic report for medium companies.

The logo consists of the letters 'AG' in a bold, sans-serif font, colored in a vibrant pink. The letters are positioned within a white square that has a pink triangular corner cut out from the bottom right. The entire logo is set against a larger pink triangular background that extends from the right edge of the slide towards the center.

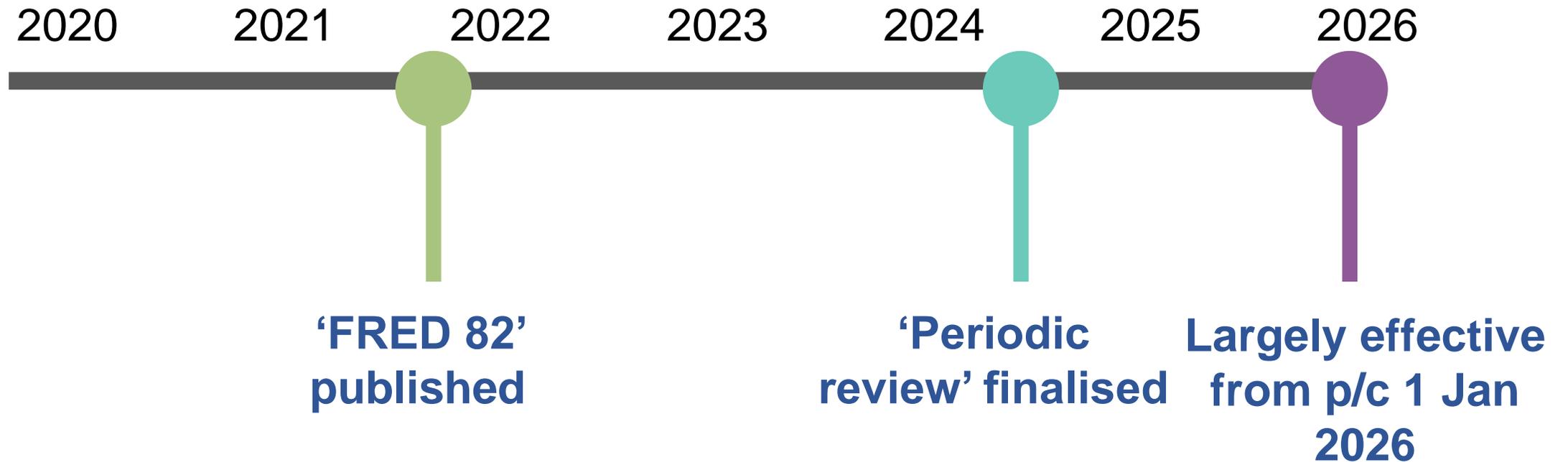
AG



Small and micro entities: topical reporting issues

UK GAAP PERIODIC REVIEW: IMPACT ON SMALL & MICRO ENTITIES

UK GAAP periodic review



Recent IFRS changes

IFRS 9

Financial instruments

New 'expected credit loss model' can complicate bad debts and stock provisions

IFRS 15

Revenue recognition

Aligns (largely) with US GAAP – can be tricky to implement for complex contracts

IFRS 16

Lease contracts

Puts most leases on balance sheet as right of use asset and (initially) matching liability

The plan ...

IFRS 9

FRS 102



FRS 105



IFRS 15

FRS 102



FRS 105



IFRS 16

FRS 102



FRS 105



New leasing approach

Lessees

- Single accounting model, **no distinction between an operating lease and a finance lease**
- Many more leases will be recognised on the BS
- Two important exceptions – short term leases (<12m) and low value asset leases

Lessors

- Accounting treatment remains largely the same as current version of FRS 102
- Distinguish between an operating lease and a finance lease

Revenue from contracts with customers

Step	Topic	FRS 102 paras	FRS 105 paras
1	Identify the contract with the customer	23.7-23.16	18.7-18.11
2	Identify the performance obligations with the customer	23.17-23.40	18.12-18.19
3	Determine the transaction price	23.41-23.64	18.20-18.25
4	Allocate the transaction price to the performance obligations in the contract	23.65-23.77	18.26-18.33
5	Recognise revenue when (or as) the entity satisfies a performance obligation	23.78-23.112	18.34-18.46

Performance obligation

“

Each promise to deliver to a customer either:

- a) a distinct good or service (or a distinct bundle of goods or services); or*
- b) a series of distinct goods and services that are substantially the same and that have the same pattern of transfer to the customer*

FRS 102 para 23.17

Recent scenarios ...

Our client is helping with the renovations of a property. They will charge the property owners for labour and materials and will also invoice for 50% of the market value uplift post renovation. How should the accounting work?

Our company manufactures large industrial valves. It operates in an 'engineered to order' environment where it uses its expertise in valve technology to deliver bespoke solutions. When should income be recognised?

Step 5 (FRS 102 & FRS 105)

An entity recognises revenue over time if one or more of the following criteria is met

The customer simultaneously receives and consumes the benefits of the entity's performance as the entity performs

The entity's performance creates or enhances an asset that the customer controls as the asset is created or enhanced

The entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for the performance completed to date

Otherwise revenue is recognised at the point in time when control is transferred to the customer

The entity has a present right to payment for the asset

The customer has legal title to the asset

The entity has transferred physical possession of the asset

The customer has the significant risks and rewards of ownership of the asset

The customer has accepted the asset

FRS 102 1A MANDATORY DISCLOSURES

Statement of compliance

An explicit statement of full compliance with FRS 102 1A

Public benefit entity statement

An explicit statement of being a public benefit entity

Going concern disclosure

Ability to continue as a going concern from min 12 months from the issue of financial statements

Disclose material uncertainties casting doubt over going concern

The logo consists of the letters 'AG' in a bold, pink, sans-serif font, centered within a white square. The square is positioned in the bottom right corner of the slide, overlapping a large pink triangular graphic that points towards the top right.

FRS 102 1A MANDATORY INCLUSIONS

Deferred tax

Amount of deferred tax assets and liabilities

Unused tax losses and credits

Dividends declared & paid/payable

Transition information on first time adoption of FRS 102 1A

Effect on financial position and performance of entity.

The logo consists of the letters 'AG' in a bold, pink, sans-serif font, centered within a white square. The square is positioned in the bottom right corner of the slide, overlapping a large pink triangular graphic that points towards the top right.

Poll question 2

In light of all the changes we have just talked about, do you anticipate a significant uptake in the use of FRS 105 applicable to the Micro-entities Regime?

Yes

Possibly, but more work needed to understand impact

No

N/A – most clients already report under FRS 105, or are unlikely to fall within its scope

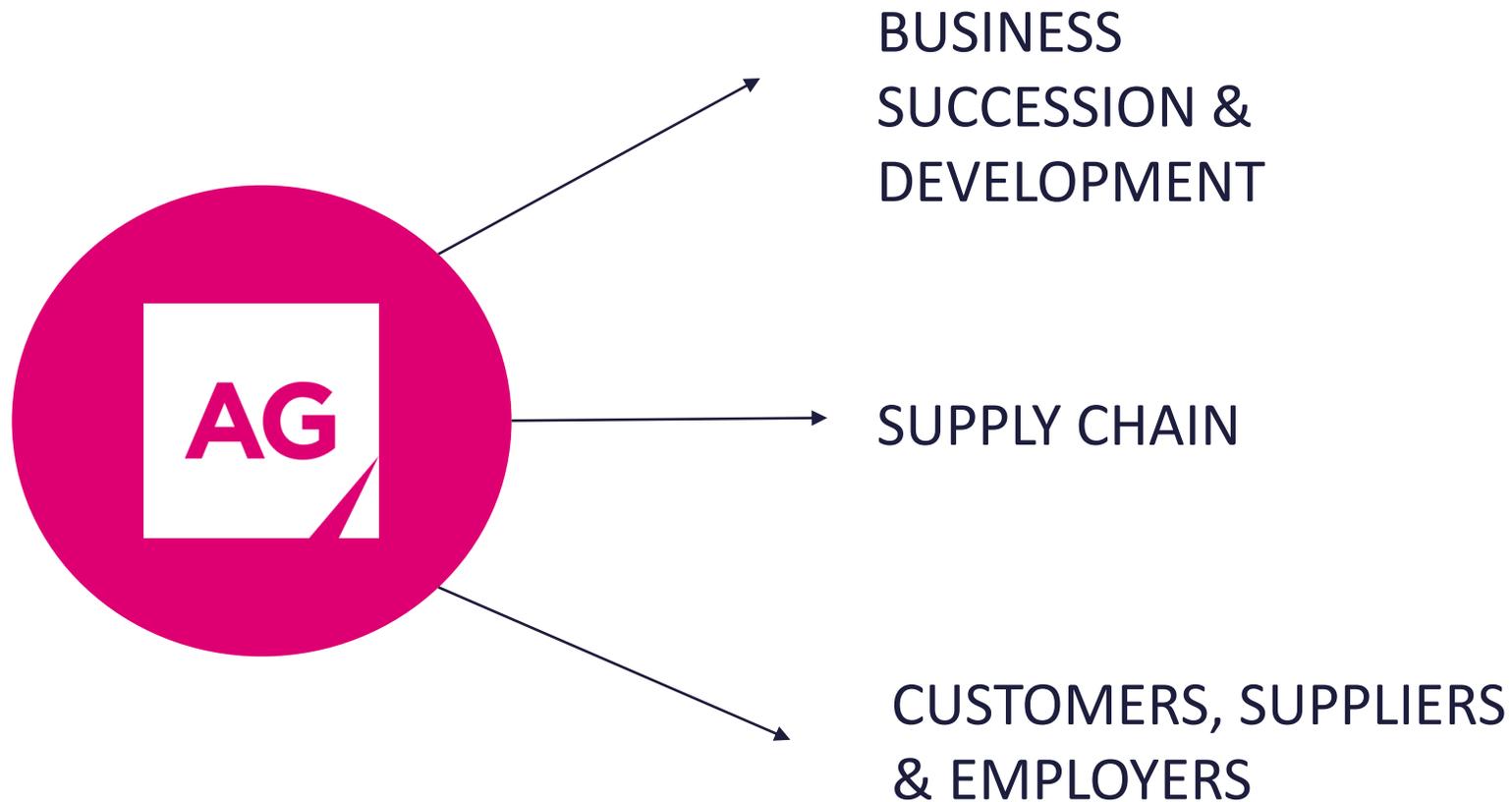


Small and micro entities: topical reporting issues

OVERVIEW OF SUSTAINABILITY REPORTING ISSUES

SUSTAINABILITY REPORTING:

WHY SMALLER ENTITIES SHOULD CARE.

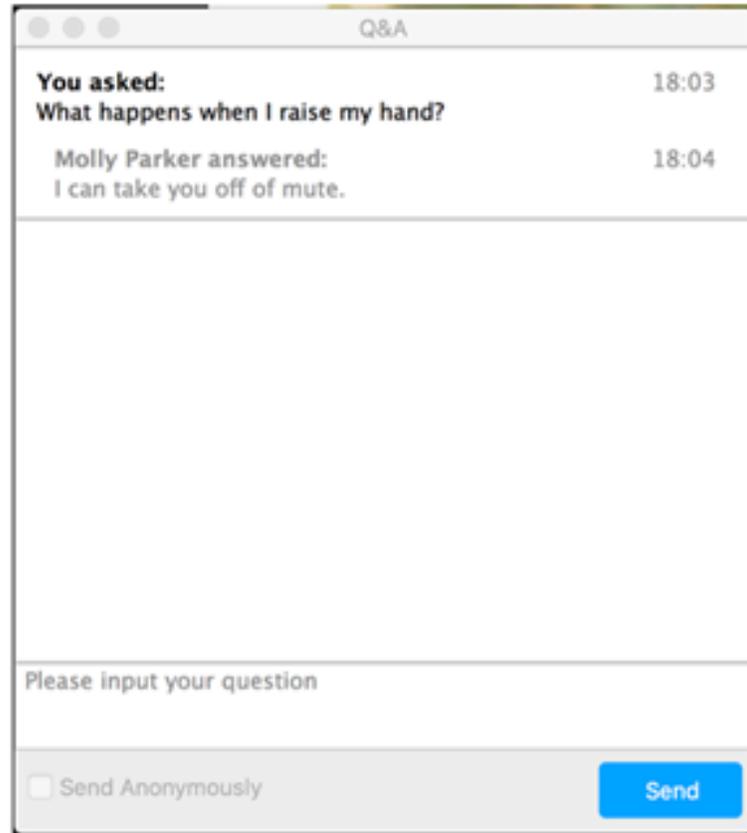


SUSTAINABILITY REPORTING:

WHY SMALLER ENTITIES SHOULD CARE.



Ask a question and access resources



The screenshot shows a Q&A interface with a title bar labeled "Q&A". It contains a question and answer history, a text input field for asking a question, and a "Send" button. The question history shows a question asked at 18:03 and an answer by Molly Parker at 18:04. The input field is labeled "Please input your question" and has a "Send Anonymously" checkbox and a "Send" button below it.

Text	Time
You asked: What happens when I raise my hand?	18:03
Molly Parker answered: I can take you off of mute.	18:04

Please input your question

Send Anonymously

Download resources

Link to slides in event reminder email

Access related resources, including the presentation slides at icaew.com/crfwebinars

To ask a question

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

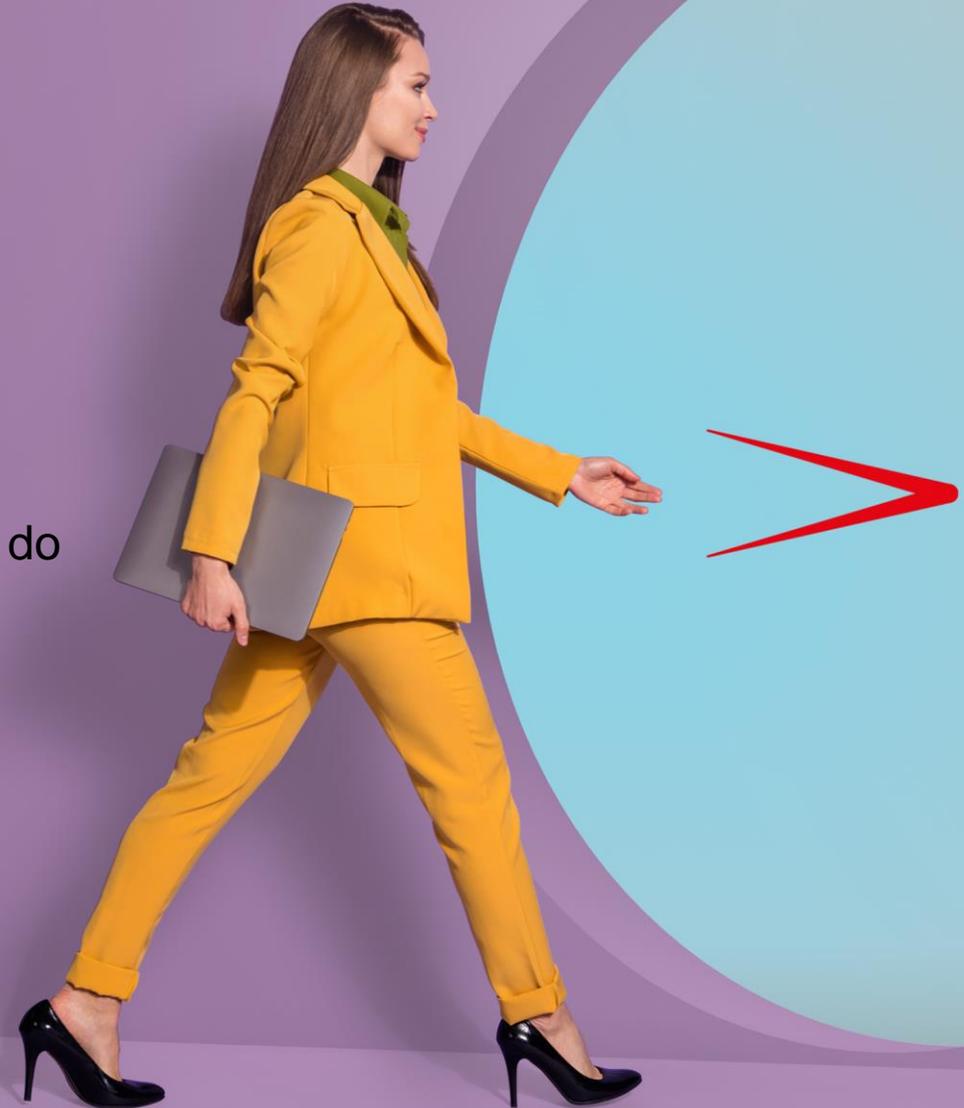
Type in your question and press **send**.



Did you know?

ICAEW's Continuing Professional Development (CPD) Regulations have changed. Members are now required to do a minimum number of CPD hours per year.

This webinar could contribute to up to 1 hour of verifiable CPD, so long as you can demonstrate that the content is relevant to your role.

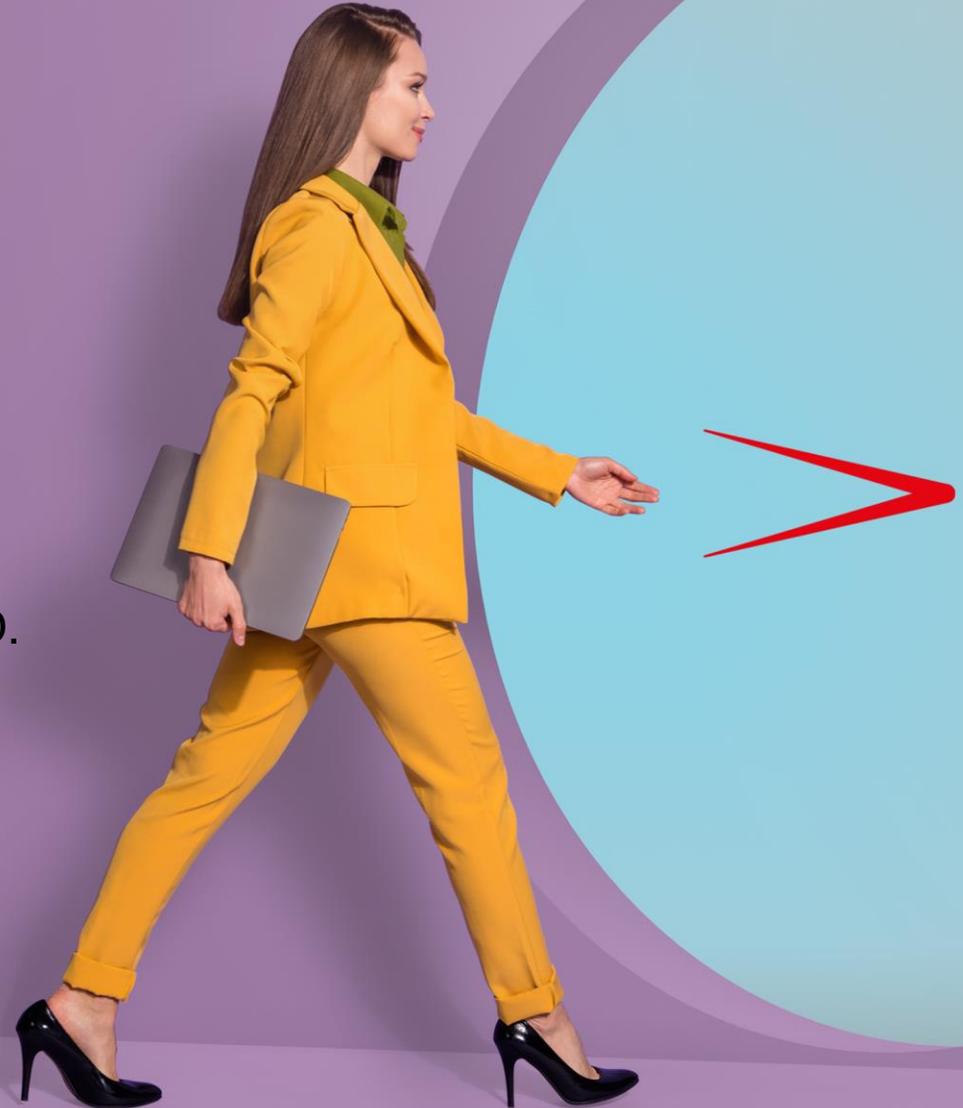




Verifying your CPD

If you are watching this webinar **live**, a copy of the registration email is acceptable evidence of verifiable CPD.

If you are watching this webinar **on demand** via ICAEW.com, click on “verify your CPD” on the webinar webpage to add this to your CPD record.



Faculty resources

- [Small and micro-entity reporting hub](#)
- [Online guidance](#) on FRS 102 and FRS 105
- [Factsheets:](#)
 - [Preparing and filing UK small entity accounts](#)
 - [Preparing and filing Micro-entity accounts](#)
- [By All Accounts](#) news and features
- Webinars and events:
 - icaew.com/crfevents for upcoming events
 - icaew.com/crfwebinars for webinar recordings
- ICAEW CPD courses:
 - [Small and micro entity accounts \(accounting treatments\)](#)
 - [Key disclosure problems for small and micro entities](#)



ICAEW Corporate Reporting Faculty

Resources

Find a wealth of useful resources on our website:



Factsheets and other online guidance



Webinars and events



By All Accounts - news features and articles

Go to [icaew.com/crresources](https://www.icaew.com/crresources)

Join the faculty

- Stay up-to-date with the latest corporate reporting developments
- Meet your CPD requirements
- Networking opportunities
- Shape the profession

Membership open to all, charges apply to non-ICAEW members

Find out more at [icaew.com/joincrf](https://www.icaew.com/joincrf)



Questions



Peter Herbert
Director
Insight Training



Sarah Milsom
Manager
Albert Goodman

Thank you for attending



- Please take the time to fill out our short survey.



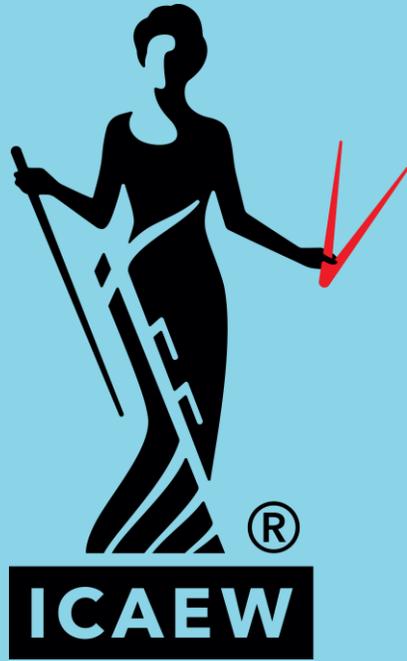
- Contact the Corporate Reporting Faculty.
- Tel: +44 (0)20 7920 8533
- Email: crf@icaew.com
- Web: [icaew.com/crfac](https://www.icaew.com/crfac)

This webinar is presented by the Corporate Reporting Faculty.

The faculty produces a wide range of resources including factsheets and online guidance to help you stay up-to-date and meet your continuing professional development needs. It also hosts webinars and other events throughout the year, providing an opportunity to network with like-minded professionals.

ICAEW members can join the Corporate Reporting Faculty at no additional cost. Charges apply for non-ICAEW members.

ICAEW will not be liable for any reliance you place on the information in this presentation. You should seek independent advice.



[icaew.com](https://www.icaew.com)