

Guide to FRS 102 (Section 1A)

Keytime Accounts Production

Introduction

FRS 102, issued in March 2013 by the FRC, became the mandatory standard for most companies in the UK for accounting periods beginning on or after 1 January 2015. The FRSSE has continued to be available for those companies eligible to adopt it, but that comes to an end for accounting periods beginning on or after 1 January 2016.

Small companies instead have the option of preparing financial statements in accordance with Section 1A of FRS 102 Small Entities, which outlines the presentation and disclosure requirements for a small company's financial statements; although recognition and measurement of amounts in the financial statements of a small entity are in accordance with full FRS 102.

New Thresholds for Small Companies

A small entity is defined as a company that qualifies as small under sections 382 to 384 of the Companies Act 2006. Company size thresholds from 1 January 2016 are:

- Turnover - £10.2m
- Balance sheet total - £5.1m
- Average employees - 50

These limits would also apply where a company chooses to early adopt Section 1A, this is because a condition of early adoption is that a company must apply The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015 (SI 2015/980) from the same date; the two must go together. For those that qualify, early adoption is permitted for periods commencing on or after 1 January 2015.

Mandatory Disclosure Requirements

Appendix C of FRS 102 Section 1A requires small entities to make disclosures in the following areas:

- Accounting policies
- Changes in presentation and accounting policies and correction of prior period errors
- Movements on fixed assets
- Revalued fixed assets
- Financial instruments and other assets measured at fair value through profit or loss
- Indebtedness, guarantees and financial commitments
- Income or expenses of exceptional size or incidence
- Average number of employees
- Related party transactions and advances, credits and guarantees to directors
- Others (including entity information, combined items and post balance sheet events).

Whilst a number of the disclosure requirements are similar to those required under the full FRS 102, they generally require less detail. However, when combined with updated company law and filing requirements (including the removal of the option to file abbreviated accounts), information in the public domain may increase for some companies.

Encouraged Disclosures

Appendix D of FRS 102 Section 1A also encourages:

- A statement of compliance with FRS 102, adapted to refer to Section 1A
- A statement that it is a public benefit entity (if that is the case)
- Any appropriate disclosures related to going concern
- Dividends declared and paid or payable during the period
- On first-time adoption of the FRS, an explanation of how the transition has affected the financial position and financial performance of the company

True and Fair View

FRS 102 Section 1A makes numerous references to the requirement to show a true and fair view. In this context, the standard also encourages:

- Presentation of a statement of comprehensive income where gains or losses are recognised in other comprehensive income
- Presentation of a statement of changes in equity or a statement of income and retained earnings where there are transactions with equity holders

Section 1A exempts small (qualifying) entities from the requirements of some sections of the main FRS 102, most notably section 7 Statement of Cash Flows, and from parts of other sections.

However, the overriding principle remains to show a true and fair view, and so consideration must be given to any other disclosures relevant to material transactions, events or conditions.

This is a broad sweeping statement, and it will be down to the directors to decide what constitutes a true and fair view. In terms of how this translates into software, Accounts Production goes beyond the basic requirements in that it offers the ability to include a statement of retained earnings, or statement of changes in equity and a statement of comprehensive income. There are a number of additional notes, which are not strictly necessary, but have been included as optional extras. There are also some additional 'user defined' accounting policies, which can be named and used as required.

Whilst it isn't possible to consider every note that may possibly be required in order to show a true and fair view within the confines of Section 1A, we remain, as always, committed to the on-going development of our products and especially in response to feedback received from clients.

Filing at Companies House

The option to file abbreviated accounts at Companies House as per section 444(3a) of the Companies Act 2006 was removed by The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015 (SI 2015/980). The filing requirements for small companies are now outlined by sections 444(1) (a) and (b). Section 444(1) says the directors:

- **must** deliver to the registrar for each financial year a copy of the balance sheet drawn up as at the last day of that year (including associated notes); and
- **may** also deliver to the registrar:
 1. a copy of the company's profit and loss account for that year; and

2. a copy of the directors' report for that year

Where a profit and loss accounts is not filed, the balance sheet must disclose that fact in order to comply with section 444(5A)(a). If the company is subject to audit, the audit report is not filed but the notes to the balance sheet must:

- state whether the auditor's report was qualified or unqualified;
- if the report was qualified, disclose the basis of the qualification and reproduce any statement under section 498(2)(a), if applicable;
- if the report was unqualified, but contained an emphasis of matter paragraph, this paragraph should be included; and
- provide the name of the auditor and (where the auditor is a firm) the name of the person who signed the auditor's report as senior statutory auditor. If the conditions in section 506 of the Companies Act 2006 apply (circumstances in which names may be omitted), the note must state that a resolution has been passed and notified to the secretary of state in accordance with that section.

Abridged Financial Statements

Abridged financial statements allow certain items in the statutory formats to be combined, for example, the abridged profit and loss account starts with gross profit. The main impact of abridgement is to reduce the disclosures, and this is because abridged statements do not use Arabic numerals from the statutory formats. The effects of this can be seen in the fixed asset notes within Accounts Production where abridgement has been applied to the balance sheet; rather than showing a note per fixed asset type, a single note is generated with the asset types displayed in the columns.

It is worth noting that abridgement, once applied also applies to S444 accounts for Companies House, thereby further reducing the number of disclosures appearing on the public record. However, it should also be said that section 1 of FRS 102 requires the directors to provide any additional disclosures that are necessary to show a true and fair view.

All shareholders must agree to the preparation of abridged financial statements, and accounts prepared for Companies House must contain a statement on that all member have consented to abridgement. In Accounts Production this statement is contained in the footer of the balance sheet.

Terminology

FRS 102, being based on international accounting standards uses different terminology to what practitioners may be used to. You will find that the updated terminology is referred to in the new formats within Accounts Production, most notably:

- | | | |
|---------------------------------------|---|---------------------------------|
| • Profit and loss account | - | Income statement |
| • Balance sheet | - | Statement of financial position |
| • Tangible fixed assets | - | Property, plant and equipment |
| • Financial instruments at fair value | - | Current asset investments |
| • Trade and other receivables | - | Debtors |
| • Trade and other payables | - | Creditors |

FRS 102 Section 1A and Accounts Production

This section concentrates on the conversion of existing data to the new standard and changes implemented to facilitate the new format. This guide assumes that you are already familiar with Accounts Production and, therefore, does not offer any general guidance on the use of the software.

Conversion to FRS 102 S1A

Qualifying entities can adopt Section 1A for accounting periods beginning on or after 1 January 2015. The standard becomes mandatory for accounting periods beginning on or after 1 January 2016.

Upon opening or running a year end on a set of FRSSE accounts with an accounting period beginning on or after 1 January 2015, you will be asked if you want to convert to FRS 102, click Yes to convert or no to remain as FRSSE.

When you open or run a year end on a set of FRSSE accounts with an accounting period beginning on or after 1 January 2016, you will be notified that FRS 102 is mandatory and conversion will automatically take place.

Maintain

Click Maintain on the main toolbar:

The screenshot displays the 'Accounts Production Management' software interface, specifically the 'Client' tab. The form is divided into several sections:

- Client Information:** Includes fields for Client ID, Business Name (FRS 102 Ltd), Registered Number (08665645), and a checkbox for 'Tick if the registered address different from the principal address'.
- Addresses:** Fields for Principal Address (1 Long Lane, Chadderton, Oldham, Gtr Manchester, OL6 4RB) and Registered Address (Pennine House, Denton Lane, Chadderton, Oldham, OL9 8PU).
- Financial Periods:** Fields for Current Year (Start Date: 01/01/2015, End Date: 31/12/2015) and Previous Year, along with a Format dropdown set to 'FRS 102'.
- Company Status:** Fields for 'is the Company Trading' (Trading), 'is the Company Dormant' (No), and 'Company Limited by' (Shares).

Two callout boxes provide additional information:

- A blue callout box on the right states: "If the principal place of business is different to the registered office address, then disclose both addresses."
- A white callout box in the center states: "Share capital has been removed. Disclosure is not required."

The interface includes a 'Save' button and a 'Close' button at the bottom right.

In the client tab, the most important changes are that:

1. The share capital screen has been removed, as disclosure is not required under Section 1A

2. If the principal place of business is the same as the registered office, then it's just the registered office address to be disclosed. If the addresses are different then both must be disclosed. The system generates a note containing this and other elements of statutory information and places it directly above the accounting policies. Information required for the note is:
 - Principal place of business and registered office addresses
 - Registration number and where in the UK the company is registered
 - Entity type and whether limited by shares or guarantee
 - Presentation currency (this defaults as Sterling)

Click Page Selection

	Full	s444
Cover Sheet	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Contents Page	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Company Information	<input checked="" type="checkbox"/>	
Directors Report	<input checked="" type="checkbox"/>	
Accountants Report	<input checked="" type="checkbox"/>	
Income Statement	<input checked="" type="checkbox"/>	
Abridged	<input type="checkbox"/>	
Format 1	<input checked="" type="radio"/>	
Format 2	<input type="radio"/>	
Include Statement of Retained Earnings	<input type="checkbox"/>	
Other Comprehensive Income	<input type="checkbox"/>	
Statement of Financial Position	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Abridged	<input type="checkbox"/>	
Statement of Changes in Equity	<input type="checkbox"/>	
Notes to the Financial Statement	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Trading and Profit & Loss Account	<input checked="" type="checkbox"/>	

There are number of changes to the pages. In the full accounts:

1. The income statement and statement of financial position have the option for abridgement
2. You can produce a statement of income and retained earnings by including a statement of retained earnings (this appears as an extra section at the bottom of the income statement)
3. You can include a statement of changes in equity, note this cannot be included if statement of retained earnings has been selected; choose either one, but not both.
4. You can include a statement of other comprehensive income

The s444 column refers to accounts to be filed at Companies House; this set of pages will be automatically generated during the Companies House submission.

A directors' report is not required, neither is the income statement. Where the accounts are subject to audit, the audit report is not submitted instead the system will place a note in the accounts stating whether the audit report is qualified, and if so the basis of qualification. If there is emphasis of matter statement present in the full audit report this will also be reproduced in the note. The

name of the auditor, or if the auditor is a firm, then the name of the senior statutory auditor will also appear in the note, unless an exemption under s506 of the Companies Act is in place.

Click Contacts

In the accountant/auditor tab changes have been made to simplify and improve the addition of the name of the senior statutory auditor and the name of the professional accountant. Auditor:

Accountants Address Wizard

Name: Audits R US

Address: 1 The High Street, Chadderton, Oldham, OL9 8PU

Telephone Number: []

Email Address: []

Firm of Accountants

Senior Statutory Auditor
Enter the Name of the Senior Statutory Auditor in the box below
Johnathan Swift
Senior Statutory Auditor

Include in Company Information page

Accounting body to be used in the Auditors' report
 ACCA ICAEW ICAS Alternative

Buttons: Close, Back, Next

Callout: If the auditor is a firm, tick the box. Enter the name of the senior statutory auditor. Tick 'include in company information page' to add the name of the auditor to the name and address of the firm

Accountant:

Accountants Address Wizard

Name: Audits R US

Address: 1 The High Street, Chadderton, Oldham, OL9 8PU

Telephone Number: []

Email Address: []

Firm of Accountants

Professional Accountant
Enter the Name of the Accountant and their designation below
Joe Soap
Chief Accountant

Include in Company Information page

Accounting body to be used in the Accountants' report
 ACCA ICAEW ICAS Alternative

Buttons: Close, Back, Next

Callout: If the accountant is a firm, tick the box. Enter the name of the professional accountant. Tick 'include in company information page' to add the name of the accountant to the name and address of the firm

Click Officers / Directors Information

Accounts Production Management

Client Page Selection Contacts Officers Accounts

Directors Information Secretary Information

Click here to add/maintain directors

Name	Appointed	Ceased	Reason	I.P. Started	I.P. Ceased
John Demo					
Jane Demo					

John Demo

Date Appointed DD/MM/YYYY

Date Ceased DD/MM/YYYY

Indemnity Provision

Date started DD/MM/YYYY

Date Ceased DD/MM/YYYY

Override Director Names on Reports

Show on Directors Report No

Show on Company Information No

Save

Number of officers accruing retirement benefits and monetary value of non-cash benefits have been removed. Disclosure is not required.

Director's interest in shares has been removed. Disclosure is not required.

- Director's interest in shares has been removed. Disclosure is not required
- Boxes to help disclose the number of directors accruing retirement benefits and the value of non-cash benefits have been removed. Disclosure is not required.

Main tabs on the Maintain screen

Accounts Production Management

Client Page Selection Contacts Officers Accounts

Notes has been removed and added to the navigation pane to the left of the main Window:

FRS 102 Ltd

- Journal Entries
- Trial Balance
- Notes
- Adjust Balances

Click Notes

Report sections, signatories and dates, accounting policies and notes are now accessed from the Notes tree:

Click a reporting section in the tree header, reporting areas, notes etc. are presented in the tree below. Most notes are automatically generated based on entries in the ledger. Accounting policies and some notes must be added by ticking (clicking) the note or policy in the tree.

Reporting sections are grouped in the tree header, click on a reporting section and various sections of the report, accounting policies and notes etc. are displayed in the tree below (as in the screen shot above).

Items in the tree will change depending on whether the accounts are subject to audit (as in screen shot to the right).

The majority of notes are automatically generated based on entries in the ledger. Some notes and accounting policies must be manually added by ticking the box to include the note (a note number will appear to the left of the note if it is selected to appear in the accounts).

The majority of items are pre-tagged (for iXBRL purposes), to enable items to be tagged it is necessary to enter some note detail into a predefined form. Tags are present behind the fields on these forms and attach themselves as the contents of the fields as they are added into the note or

policy. Such notes include property, plant and equipment, creditors falling due after more than five years, related party transactions and director's advances and guarantees.

Each note contains an area where you can enter additional details to appear in the note. In some cases you can amend the standard wording for the note or policy or override it completely in the case of property, plant and equipment accounting policy. This note has an additional sub-note, which can be used to add trailing text to the bottom of the standard note, or replace it completely (untick the main policy and tick the sub-note instead).

The debtors and creditors notes have an option to breakdown and display other debtors in full. You can find the option in the debtors and credits notes.

The screenshot shows a software interface with a list of accounting policies on the left and a main area on the right. The 'Trades and other receivables' policy is selected. A red oval highlights a checkbox labeled 'Tick to show other debtors broken down into the individual items'. Below the list, there is a section for 'Additional information' and a 'Select Declaration' button.

Other debtors/creditors can be shown in detail by ticking the box in the debtors and/or creditors notes.

Note Changes for Accounts Subject to Audit

S444 audited accounts for Companies House

Where s444 accounts are submitted, the audit report is not sent. Instead an additional note is added stating the name of the auditor, it states whether the audit report was qualified, and if so the basis of qualification. Any emphasis of matter statement is also reproduced in the note.

APB ethical standard – provisions available for small companies

The notes tree contains three notes covering exemptions available for small company audits.

You can add any of these notes by ticking (clicking) the box on the tree. Notes one and two contain standard wording, note three requires you to input the details. Selecting any of the three notes will automatically add a statement into the audit report stating that the exemption is in place.

Directors report
Auditors report
Statement of Financial Position
1. Accounting policies
Notes

- Turnover
- Profit on ordinary activities before tax
- Irregular income/expense
- Income from shares in group undertakings
- Income from participating interests
- Income from other fixed asset investments
- Interest receivable and similar income
- Amounts written off investments
- Taxation
- Dividends
- Prior Year Adjustments
- Intangible fixed assets
- Property, plant and equipment
- Investment property
- Investments held as fixed assets
- Inventories
- Trade and other receivables
- Financial instruments at fair value
- Amounts falling due within one year: Trade and
- Amounts falling due after more than one year: T
- Reserves
- Related party transactions
- Directors' advances and guarantees
- Guarantees and other financial commitments
- Subsequent events
- Average number of persons employed
- Parent-subsidiary relationship
- 2. APB ethical standard - Provisions available for :
 - APB Statement 1
 - APB Statement 2
 - APB Statement 3
 - Transition to FRS 102

Detail

Including any of these statements will add an additional statement to the audit report.
Standard wording is included in the note below. Tick the box on the note tree to include this note.

Additional information Select Declaration

In common with many other businesses of our size and nature we use our auditors to prepare and submit returns to the tax authorities and assist with the preparation of the financial statements.

Select an APB exemption, a statement will automatically appear in the audit report stating the exemption is in place.

Profit/loss or Surplus/deficit

You now have the option of stating surplus or deficit instead of profit or loss in the accounts. You can find this statement in **report formatting / Display profit/loss**. This option is available whether the company is limited by shares or guarantee.