ICAEW KNOW-HOW
FINANCIAL REPORTING FACULTY

Bitesize Briefing: Implications of COVID-19 for micro-entities in 2020/21 reporting

12 March 2021

This webinar will commence shortly ……

Introduction

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Contents

Overview of the framework

Deemed true and fair view

Key COVID-19 considerations

FRS 105 Overview

UK and Ireland GAAP

UK and Ireland GAAP – Table 1					
Framework	Micro-entities regime	Small entities regime	FRS 102	Reduced disclosure framework (FRS 101)	Reduced disclosure for subsidiaries and ultimate parents (FRS 102)
Related accounting standards	FRS 105	Section 1A	FRS 102	FRS 101	Paragraphs FRS 102.1.8-1.13

FRS 105 Eligibility

Regime – Table 2	Micro-entities
Source of criteria	s384A to 384B of CA 06
Eligible entities	Companies and LLPs
Size thresholds	A company qualifies if it does not exceed two or more of the following criteria: . Turnover £632,000 . Balance sheet total £316,000 . No. of employees 10
Ineligible entities	Any companies excluded from the small companies regime . Financial institutions including credit and insurance institutions . Charities . Small parent companies that choose to prepare group accounts . Companies that are not parent companies but their accounts are included in group accounts

Should FRS 105 Be Applied?

- Eligibility

- Non-statutory information requirements

- Users

- Company's expected growth

- Impact of prohibition of fair value / revaluations

- Other accounting differences

- Credit rating

FRS 105: Key Features

- Effective 1 January 2016

- Profit and loss and balance sheet only

- Directors' Report not required

- No use of fair value or revaluation

- No accounting policy choices

- 5 Disclosure notes required
  1. Off balance sheet arrangements with material risk or benefit
  2. Average number of employees
  3. Advances and credits to directors and conditions
  4. Commitments, guarantees and contingencies not included in the balance sheet
  5. Security in relation to 4.

FRS 105: Key Features

- Identification of financial statements requirements:

  - Name
  - Reporting date
  - Presentation currency
  - Level of rounding
  - Registration number
  - Part of UK registered
  - Whether public, private, limited or guarantee
  - Registered office address
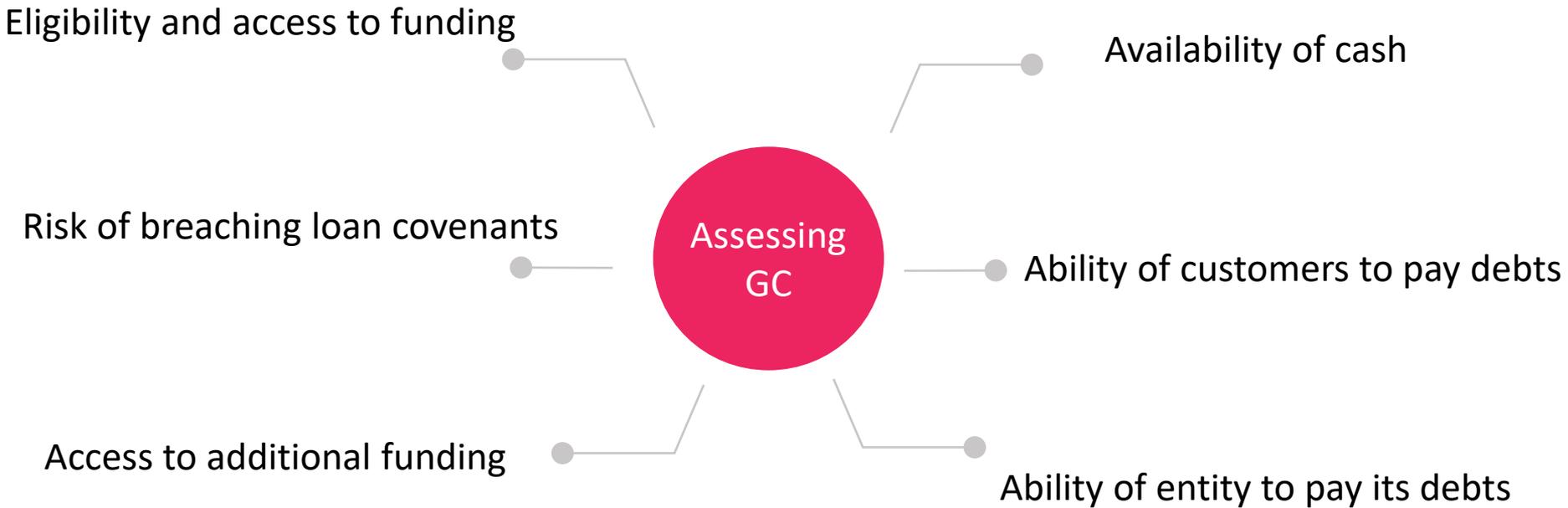 - If appropriate the fact the micro entity is being wound up

Deemed true and fair view

Deemed True and Fair View

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FRS 105 financial statements ARE deemed to give a true and fair view even though the following are not provided

- Directors' remuneration and BIK
- Related party transactions
- Post balance sheet events
- Going concern disclosure

Going Concern Assessment

Eligibility and access to funding

Availability of cash

Risk of breaching loan covenants

Assessing GC

Ability of customers to pay debts

Access to additional funding

Ability of entity to pay its debts

Going Concern FRS 105 Implications

Going Concern

- Going concern basis of preparation used
- No disclosure required
- *All Frameworks:*
  - *May* choose to disclose assumptions

Material Uncertainty

- Going concern basis of preparation used
- No disclosure required
- *May* choose to disclose as for 1A below
- FRS 102.1A *Encouraged* to disclose information to give users an understanding of the liquidity and solvency of the business

Not a Going Concern

- Going concern basis is not used
- For the benefit of users state the basis of preparation

Companies Act Directors' Duties

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| Act within powers | Exercise Reasonable Skill and Due Care | Avoid conflicts of interest |

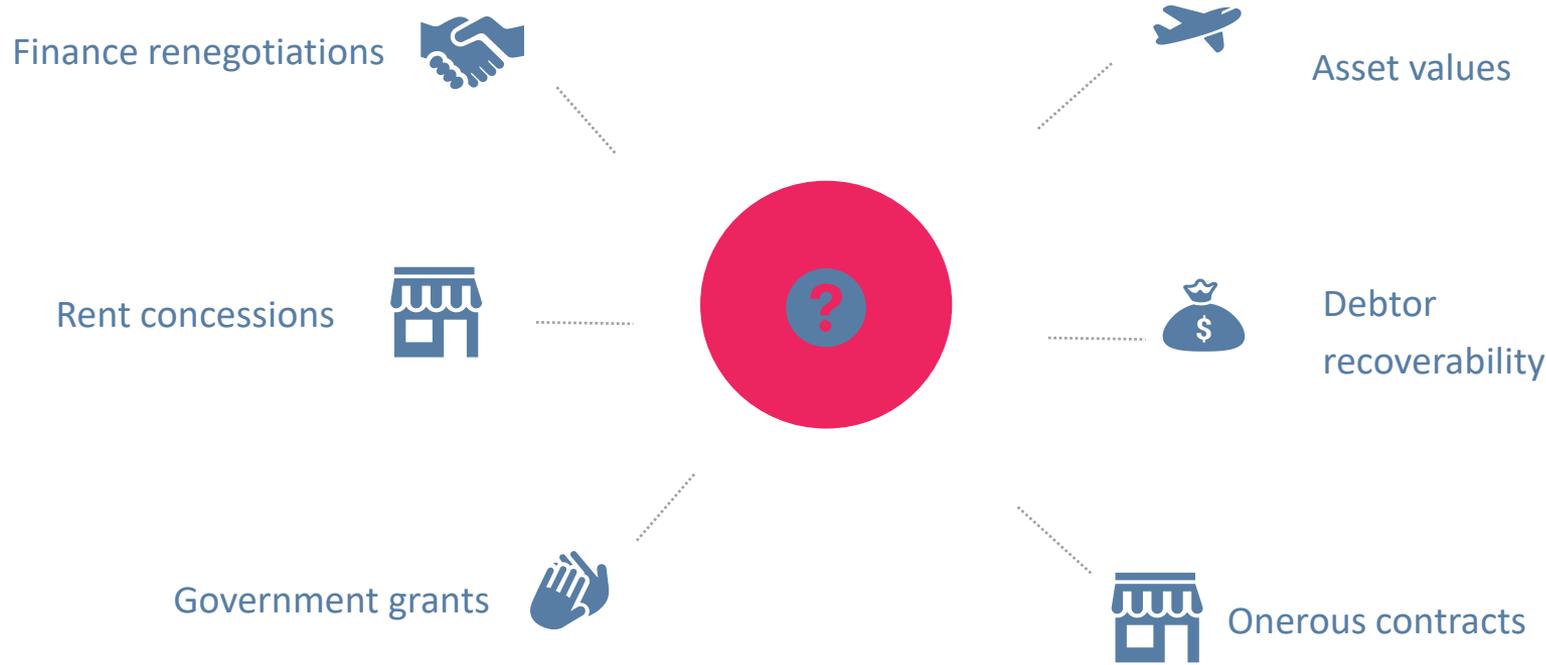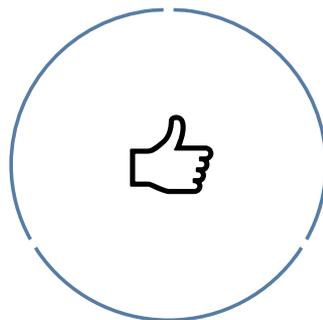| Promote the success of the company | Exercise independent judgement | Not accept benefit from third parties | Declare interests in transactions or arrangement with the company |

Key covid-19 considerations

Key covid-19 accounting considerations

Finance renegotiations

Asset values

Rent concessions

?

Debtor recoverability

Government grants

Onerous contracts

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Thank You

www.albertgoodman.co.uk

Faculty resources
icaew.com/financialreporting   *icaew.com/frs105*

Online guides (icaew.com/coronavirus/financial-reporting)

- Checklist: implications of COVID-19 for the preparation of micro-entity accounts

- Going concern considerations - a guide for FRS 105 preparers

- COVID-19-related rent concession under FRS 102 and FRS 105

- How to distinguish adjusting from non-adjusting post balance sheet events under UK GAAP

Webinars (icaew.com/frfwebinars)

- Bitesize Briefing: Amendments to UK GAAP for COVID-19-related rent concessions

- Webinar: 2020/21 Reporting: Going concern and impairment

- Bitesize Briefing: Going concern and impairment - your questions answered

Future events

For details, please visit **icaew.com/frfevents**

Bitesize Briefings

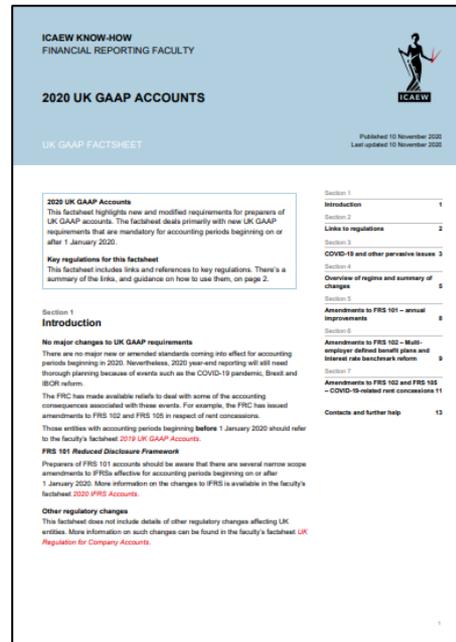COVID-19 series

Webinars

2021 Financial Reporting Conference

11-12 October 2021 | Details coming soon

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