



*COVID-19 and financial reporting  
implications for micro-entities*

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PRESENTED BY JOHN SELWOOD AND PETER HERBERT

## *Today's presenters*



John Selwood  
Revolution Solutions Ltd



Peter Herbert  
Insight Training

# *Contents*

Regime eligibility

Post balance sheet events and going concern

Asset value considerations

Disclosure issues

Accounting for government support

## *Regime eligibility*

### Size limits

Turnover £632K

Gross Assets  
£316K

Employee numbers  
10

### Ineligible

Charities

Group entities

Investment  
undertakings

# *Post balance sheet events*



Adjusting  
or non  
adjusting?



Disclosure  
note?



Going  
concern

**“As at 31 December 2019 China had alerted the World Health Organisation (WHO) of several cases of an unusual form of pneumonia in Wuhan. However, substantive information about what has now been identified as coronavirus (or COVID-19) only came to light in early 2020. Therefore for companies with a 31 December 2019 year-end, the emergence of coronavirus is a non-adjusting event. Companies with 2020 year ends will need to consider the timelines more carefully to assess the conditions which existed at the relevant balance sheet date.”**

## *Going concern*

# Basis of preparation

‘An entity is a going concern unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so’

(Para 3.3 FRS 105)

# Material uncertainty

No specific disclosure requirement

Deemed true and fair

Potential for accounts to mislead without disclosure???

# *Impairment reviews apply in FRS 105*

## Section 22 Impairment

Indicators of  
impairment

Recoverable  
amount

Income  
generating units

## Possible assets

PPE

Investment  
properties

Intangibles

## *Other Balance Sheet Issues*



### Assets

- Stock
- Debtors



### Liabilities

- Onerous contracts
- Restructuring
- Loans – renegotiation/covenant breach



# *FRS 105 Disclosures – COVID 19 related issues*



## Disclosures

- S413 – directors' loans?
- Financial commitments, guarantees and contingencies – incl operating lease commitments
- Off balance sheet arrangements?

# *Accounting for Government Grants*

## Accrual model (para 19.7)

- Grants which relate to revenue shall be recognised in income on a systematic basis over the periods in which the entity recognises the related costs ...

## Immediate support (para 19.8)

- A grant receivable for the purpose of giving immediate financial support is recognised as income in the period in which it becomes receivable

# Government Assistance



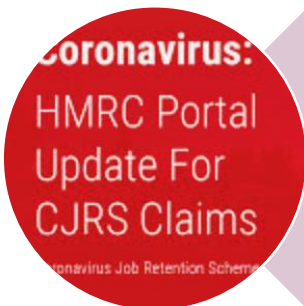
## Business rates holiday

- Reduction in expense



## Grants (e.g. Small Business Grant Fund)

- Recognise when receivable



## Coronavirus Job Retention Scheme

- Match with payroll costs saved

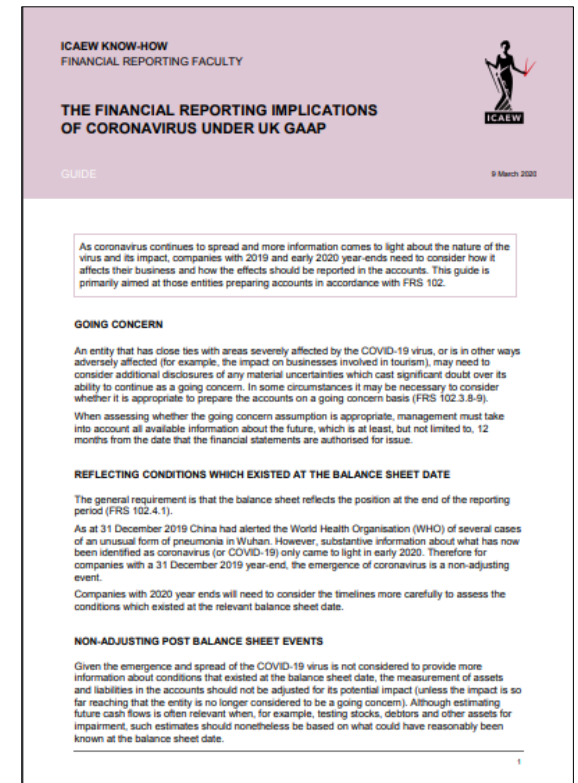
# ICAEW resources

Coronavirus hub ([icaew.com/coronavirus](https://www.icaew.com/coronavirus))

## Financial reporting

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

- Online guides
  - The financial reporting implications of coronavirus
  - Checklist: implications of COVID-19 on the preparation of accounts under FRS 102
  - How to distinguish adjusting from non-adjusting post balance sheet events
- Bitesize Briefings
  - Accounting for COVID-19 support schemes



# Join the faculty

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**2019 UK GAAP ACCOUNTS**  
UK GAAP FACTSHEET

Published 11 June 2018  
Last updated 5 January 2020

*Practical help in a complex world*

**2019 UK GAAP Accounts**  
This factsheet considers the changes to UK accounting standards that are mandatory for accounting periods beginning in 2019 and beyond.

**Key regulations for this factsheet**  
This factsheet includes links and references to key regulations. There's a summary of the links, and guidance on how to use them, on page 2.

**Section 1**  
**Introduction**

**Significant changes to UK GAAP**  
In December 2017 the FRC issued Amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland – Triennial review 2017 – Incremental improvements and clarifications (the 'Triennial review 2017 amendments'). These amendments are generally effective for accounting periods beginning on or after 1 January 2019.

Many of the amendments to FRS 102 are editorial or aim to clarify, rather than change, accounting treatments. However, there are some more significant amendments, for example to areas such as investment property, intangible assets arising on a business combination and certain loans from directors (or their close family members) to small entities. There are also consequential amendments to the other UK accounting standards, including some important changes to FRS 105.

The FRC has also issued Amendments to FRS 102 – Multi-employer defined benefit plans and Amendments to FRS 102 – Interest rate benchmark reform which are effective for accounting periods beginning on or after 1 January 2020.

Those entities with accounting periods beginning before 1 January 2019 should refer to the faculty's factsheet 2018 UK GAAP Accounts. The specific (and quite complex) requirements relating to the early adoption of the Triennial review 2017 amendments are covered in that factsheet.

**FRS 101 Reduced Disclosure Framework**  
Preparers of FRS 101 accounts should be aware that IFRS 10 Leases comes into effect in 2019 along with some narrow scope amendments to other IFRSs. More information on the disclosure exemptions, including limited exemptions from the IFRS 10 disclosures, is available in the faculty's factsheet Reduced Disclosure Framework. More information on the changes to IFRS is available in the faculty's factsheet 2019 IFRS Accounts.

**Other regulatory changes**  
This factsheet does not include details of other regulatory changes affecting UK entities. More information on such changes can be found in the faculty's factsheet UK Regulation for Company Accounts.

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# *Thank you for listening*

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Contact the Financial Reporting Faculty

+44 (0)20 7920 8533

 [frfac@icaew.com](mailto:frfac@icaew.com)

