



MEMORANDUM

To: Technical Representatives
From: Matthew Shaw
Date: 1 March 2016
Ref: TM 08/16

MICRO-ENTITIES (FRS 105)

We will be updating our Non-Audit Assignments Manual later this year to reflect the withdrawal of the FRSSE (effective January 2015) and the introduction of FRS 105 'The Financial Reporting Standard Applicable to the Micro-Entities Regime' and FRS 102 section 1A.

However, we are aware that a number of practices are already considering preparing financial statements using FRS 105, thus, we have released the following documents to aid this progress:

Appendix 5.5b	Micro-Entity Disclosure Checklist (FRS 105)
Appendix 5.6	Micro-Entity Model Financial Statements (FRS 105)
Appendix 5.7	Micro-Entity Letter of Representation (FRS 105)

These can be downloaded from the 'Micro-Entities – FRS 102' folder within the members' area of www.hatgroup.co.uk

Both the disclosure checklist and the model financial statements update existing guidance in the Manual which is currently based on the FRSSE (effective January 2015). However, the letter of representation is a new document. From reviewing accountancy assignments the HAT team have noticed that 'standard' accountancy letters of representation were being used where micro financial statements were being prepared. This is not appropriate as they refer to disclosures such as subsequent events or related party disclosures which are not relevant

12 COCK LANE, LONDON EC1A 9BU
TEL: 020 7213 9911 FAX: 020 7213 9922
EMAIL: hat@hatgroup.co.uk
www.hatgroup.co.uk

ACCOUNTING DIRECT PLUS LIMITED . ALDER DEMAIN & AKERS LIMITED . ALWYNS LLP . APPLEBY & WOOD . BARRONS . BEAVIS MORGAN LLP . BOURNER BULLOCK . BREWERS CALDER & CO . CAS HOUSE LIMITED . CLB COOPERS . CMB PARTNERSHIP . CONSTANTIN . COLE MARIE & CO . COX COSTELLO & HORNE . DE VINES ACCOUNTANTS FENLEYS . FRANCIS JAMES & PARTNERS LLP . FRANK HIRTH . F.W. SMITH RICHES & CO . GEORGE HAY & CO . GIBSON MCKERRELL BROWN LLP . GRANITE MORGAN SMITH HARWOOD HUTTON LIMITED . HHC PARTNERSHIP . HMT LLP . HURKAN SAYMAN & CO . JAMES WORLEY & SONS . JOHN CUMMING ROSS LIMITED . KAJAINE LIMITED . KAY JOHNSON GEE KBSP PARTNERS LLP . LAYTON TRAIN LIMITED . LEWIS GOLDEN LLP . MAGMA AUDIT LLP . MATTHEW EDWARDS & CO . MCBRIDES ACCOUNTANTS LLP . MELINEK FINE LLP MEYER WILLIAMS . MMA PARTNERSHIP LLP . MUNSLOWS . MZ PARTNERS LIMITED . OXLADE & BOND . PKF LITTLEJOHN LLP . RA ACCOUNTANTS . R. H. JEFFS & ROWE RICKARD LUCKIN LIMITED . SAWIN & EDWARDS . SAYERS BUTTERWORTH LLP . SCRUTTON BLAND . SHELLEY STOCK HUTTER LLP . SILVER LEVENE . SIMMONS GAINSFORD LLP SOTERIOU BANERJI . STEIN RICHARDS . STEPHENSON SMART . TIFFIN GREEN . VENTHAMS . WALLER & BYFORD . WELLERS . WILDER COE LLP . WMT LLP

to a micro-entity. With minor alteration this letter could also be used for micro company who prepared their financial statements under the FRSSE (effective January 2015).

Companies (but not currently LLPs) can prepare micro-entity financial statements for accounting period ending on or after 30 September 2013 using FRS 105, however, the FRSSE can also be used for accounting period commencing before 1 January 2016.

With the advent of FRS 102 (Section 1A) for accounting period commencing on or after 1 January 2016, adopting FRS 105 is an alternative that needs to be given serious consideration. It must, however, be understood that FRS 105 is still primarily based on FRS 102, rather than, 'old' UK GAAP, thus team members need to have a full understanding of FRS 102, FRS 102 Section 1A and FRS 105 to be able to advise clients on which is the most appropriate financial reporting regime to adopt.

HAT will be running their next [Micro-Entity CPD Course](#) on Tuesday, 18th October 2016.

We are planning to release a disclosure checklist which covers the requirements of FRS 102 Section 1A shortly.

If you have any questions please contact our Technical Helpline.