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UK Financial Reporting & Accounting Framework

From 2013 onwards, the UK has been undergoing the biggest overhaul of accounting principles since the Companies Act 2006 was introduced. The aim is to reduce the burden of mandatory disclosure requirements placed upon small companies.

FRS 102 is now effective

From 1 January 2015, the previous UK accounting standards, Generally Accepted Accounting Principles (UK GAAP) were replaced with a single new standard: Financial Reporting Standard 102 (FRS 102).

FRS 102 applies to any company that is not eligible to use the Financial Reporting Standards for Smaller Entities (FRSSE) regime, (and is not required or does not choose to apply IFRS).

The Financial Reporting Council (FRC) has now also removed FRSSE for periods commencing on or after 1 January 2016, bringing small companies within the scope of FRS 102.

> Companies of all sizes operating in the UK will need to assess the impact of these changes on their financial reporting practices, tax and audit arrangements and how they retain information.

Company size thresholds from 1 January 2016

	Micro	Small	Medium
Turnover/ Revenue	£632,000	£10.2m	£36m
Balance Sheet Total	£316,000	£5.1m	£18m
Average Number of Employees	10	50	250

Companies are required to apply the new legislation for financial years commencing on or after 1 January 2016 (early adoption for financial years commencing on or after 1 January 2015 is also permitted).

> With changes to disclosures and also accounting standards to consider, early adoption may be attractive; however, advice should be sought on whether this is the right option for your company.

Abbreviated Accounts

Company law previously permitted a small company to remove its profit and loss account and directors' report for accounts filed with the registrar. This will continue to be the case under the updated legislation; however, under previous legislation, a small company had options to further abbreviate information for filing in the form of 'abbreviated accounts'. This additional abbreviated accounts option has been removed.

Abridged Accounts

The concept of 'abridged accounts' for small companies has been introduced. Abridged accounts, in this context, permit the profit and loss account to start at the 'gross profit or loss' line and also cut down on the analysis otherwise required by law for balance sheet items.

> The removal of traditional abbreviated accounts could lead to more small company information being available in the public domain - even where the directors' report and profit and loss account are not filed.

Filing deadlines

If your company's first accounts cover a period of more than 12 months, you must deliver them to Companies House within 21 months of the date of incorporation for private companies (18 months for public companies).

In subsequent years, a private company has 9 months from the end of the accounting reference period in which to deliver its accounts (6 months for public companies). However, if you change the accounting reference period the filing time may be reduced.

Penalties

The level of the penalty depends on how late the statutory financial statements reach Companies House:

Length of delay (from the date the accounts are due)	Penalty: Private Company	Penalty: Public Company
Less than 1 month	£150	£750
1-3 months	£375	£1,500
3-6 months	£750	£3,000
6+ months	£1,500	£7,500

The penalties will be doubled if a company files its statutory financial statements late in two successive financial years.

To discuss your accounting affairs or to find out more about FRS 102, please contact Louise Morriss below.

Updated February 2016. The content of this article is intended to provide a general guide to the subject matter. Specialist advice should be sought about your specific circumstances.

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