

FRS 102

Section 1 A Quick Guide

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Preparing financial statements under Section 1A
of FRS 102 and the Small Companies Regime

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OVERVIEW

The Companies (Accounting) Act 2017 commenced on the 9th June 2017. It introduced the concept of the Small Companies Regime which is contained in Section 280A-280C of the Companies Act 2014. This allows companies to prepare financial statements under Section 1A of FRS 102 by applying the requirements of the small company's regime in the Companies Act. Section 1A will be updated for the new legislation in time.

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WHICH COMPANIES CAN AVAIL OF SECTION 1A/SMALL COMPANY'S REGIME?

A company qualifies for the small company's regime if it fulfils at least two of the three qualifying conditions listed below:

- In relation to its first financial year; or
- In relation to its current financial year and the preceding financial year; or
- In relation to its current financial year and it qualified as a small/medium company in the preceding financial year; or
- In relation to the preceding financial year and it qualified as a small/medium company in the preceding financial year

	Small Co	Holding company for Small Group
Turnover	≤€12 million	≤€12 million-net ≤€14.4 million-gross
Balance Sheet Total	≤€6 million	≤€6 million net ≤€7.2 million-gross
Employees	≤50	≤50

Note 1: Exception even where the above thresholds are met:

S. 280A(4) and S.280B(5) of CA 2014 excludes the following companies from applying the SCR and hence Section 1A:

- a. a company falling within any provision of Schedule 5 of the Act (e.g. authorised investment firm, insurance intermediary of any other company carrying on of business by which is required to be authorised by the Central Bank); or
- b. a company that is a credit institution or insurance undertaking; or
- c. a company with securities regulated on a regulated market; or
- d. a holding company of a small group even where the group meets the thresholds where any of the entities in the group come within points 1, 2 and 3 above (this only effects the holding company and not the other companies within the group (other than a company that comes within the remit of points 1-3 above)).

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WHAT REMAINS THE SAME?

Companies will continue to apply all the measurement and recognition criteria under FRS 102 Sections 2 to 35 of FRS 102. Section 1A only provides disclosure exemptions.

Companies will be able to prepare Section 1A consolidated financial statements for a small group.

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WHAT IS DIFFERENT?

Companies will be able to prepare consolidated financial statements in line with Section 1A, the small company's regime and Schedule 3A and 4A of Companies Act 2014.

There is no need to disclose wage costs or split of employee by function in the notes

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WHAT IS NEW?

Provide exemptions from disclosures within each of the 35 Sections of FRS 102. Instead disclosures follow the requirements of Section 1A of FRS 102 which replicate the requirements of the disclosures for small company's regime in the amended 2014 Companies Act.

The disclosure requirement in Section 1A are the minimum required. Directors are still required to consider if additional disclosures are required in order to show a true and fair view (Section 289CA2014).

For companies transitioning to FRS 102 for periods beginning before 1 January 2017 there is an ability to claim;

- the exemption in Section 35.10(v) to recognise debt instruments with related parties (e.g. intercompany loans, directors loans etc.) where a financing arrangement exists (i.e. interest free/favourable interest and not repayable on demand) at the amortised cost at the opening of the current year (and to determine the rate of interest at that time) – no need to restate comparative year etc.; and
- the exemption in Section 35.10(u) not to apply the fair value requirements of Section 11 and 12 until the start of the current year (i.e. no need to restate the comparative year etc.)

No requirement to prepare a cash flow statement.

Reduced related party transaction disclosures.

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WHAT ARE THE PRINCIPAL DISCLOSURES UNDER SECTION 1A?

Details	Required	Encouraged in FRS 102
Directors report – as previously except: <ul style="list-style-type: none"> business review not required. If presented must include non-KPI, environmental & employee matters where necessary for understanding (this was not previously required) disclosure of reason for acquisition of own shares and % held as a proportion of total shares issued 	N/a Yes	N/a
Auditors report – as previously except reference to cash flow statement to be deleted and possibly the 'statement of changes in equity' if not presented	Yes	N/a
Primary statements		
Profit and loss account/Income statement – laid out in accordance with Schedule 3A (similar to existing Sch 3 CA 2014 however the words 'ordinary activities' is removed and word 'charges' changed to 'expenses') IFRS layout can be utilised. Include movement on profit and loss reserve including details of dividend if not disclosed in the SOCE or in the notes.	Yes	N/a
Other comprehensive income – Statement of Comprehensive income Sch 3A requires details of movement in revaluation reserve, fair value reserve and profit and loss reserves to be disclosed therefore the presentation of this would meet the requirements.	Yes if movement not presented elsewhere	Yes
Balance sheet – laid out in accordance with Schedule 3A (similar to existing Sch 3 CA 2014) - Investment property to be shown separately. Different wording for certain items. IFRS layout can be utilised <ul style="list-style-type: none"> Requirement to detail the fact that the small companies regime has been followed and this be included above the directors signature. 	Yes Yes	N/a
Statement of changes in equity – not specifically required however Sch 3A requires: <ul style="list-style-type: none"> movement of profit and loss reserves to be disclosed including details of transfers movement on revaluation reserve to be disclosed including details of transfers etc. movement on fair value reserves to be disclosed In order to cover off the above requirements it would make sense to include a SOCE	Yes if movement not presented elsewhere	Yes
Notes to the financial statements		
Disclosure of accounting policies (section 321) as before. New requirement to <ul style="list-style-type: none"> disclose a change in accounting policy in the accounting policy section 	Yes	N/a
Include a statement of compliance with Section 1A of FRS 102	No	Yes
Include a statement that the entity is a public benefit entity if applicable	No	Yes
Going concern disclosure	Yes	Yes
Details of dividend paid/payable/declared	Yes	Yes
Disclose principal place of business, registered office, legal form and company registration number (S.291-295 CA2014)	Yes	N/a
Departure from the requirements of Companies Act and FRS 102 to be disclosed (Sch 3A(19))	Yes	N/a

Where transition adjustments arise include a note in line with full FRS 102 (i.e. disclose: <ul style="list-style-type: none"> equity at date of transition, and end of comparative year under old GAAP reconciling to equity at each period under FRS 102 with notes on the reasons for adjustments; and profit/loss for comparative period as report under old GAAP, reconciling to profit/loss under FRS 102 with notes on the reasons for adjustments. 	No however would be considered necessary to show true and fair view as required under S.289 CA 2014	Yes
Directors remuneration including connected parties/shadow/defacto directors –(Section 305,305A & 306 CA2014) Includes amounts paid to third parties for making services of any person available as director/de-facto or shadow director	Yes	N/a
Loans/quasi loans/ given to directors (inc. de facto & shadow) and any guarantees/credit transactions entered into for benefit of directors (Section 307-308); <ul style="list-style-type: none"> No need to disclose max amount O/s in year – instead disclose amount written off Usual disclosures required with regard to movement, terms of arrangements, names of directors, % of loan to net assets etc. 	Yes	
Other transactions entered into in which director has a material interest (Section 309 CA 2014). As before provide details of the arrangements, the names of the directors, terms of the arrangements etc.	Yes	N/a
Disclose the amount of interest income recognised on loans to group companies in the P&L (Sch 3A Formats CA 2014)	Yes	N/a
Disclose the amount of interest expense recognised on loans from group companies in the P&L (Sch 3A Formats CA 2014)	Yes	N/a
Disclosures for credit institutions & specific disclosures (Section 310 -313 CA 2014)	Yes	N/a
Disclosure of average number of employees in year (Section 317(1)(a) CA 2014)	Yes	N/a
Disclosure of holding of own shares or shares in holding company – detailing amount and nominal value by class and amount of profits restricted as a result to include the % of shares held to total shares in issue (Section 320 CA 2014). Investment in holding company shares should be disclosed in equity in the balance sheet as a deduction from capital and reserves.	Yes	N/a
Approval by directors on financial statements noting that they show a true and fair view (Section 324 CA 2014).	Yes	N/a
Acquisition or disposal of own shares disclosures (Section 328 CA 2014) – <ul style="list-style-type: none"> detail movement at the beginning and end of each year including details of shares acquired or held by subsidiary undertakings number and nominal value of shares held by Co or Sub Co.'s consideration paid for shares 	Yes	N/a
Exceptional item disclosures (Sch 3A)(53).	Yes	N/a
Dividends paid/declared (Sch 3A(48) split by amounts included in accruals at period end.	Yes	Yes
Investment properties and biological asset movements including disclosure of valuation method and amount recognised in P&L.	Yes	N/a
Accruals for pension liabilities.	Yes	N/a
Particulars of retirement commitment benefits included in the balance sheet and significant assumptions in the valuations (e.g. defined benefit scheme) – Sch 3A(35).	Yes	N/a
Impairment/reversal of impairment on financial assets (Sch 3A(23)).	Yes	N/a
Prior period errors resulting in change in prior year presentation (Sch 3A(5)).	Yes	N/a
Change in presentation from the prior year (Sch 3A(5)) inc. reasons for change	Yes	N/a

When the reporting entity is controlled by another party, there should be disclosure of the: <ul style="list-style-type: none"> related party relationship and the name of that party and, if different, that of the ultimate controlling party. If the controlling party or ultimate controlling party of the reporting entity is not known, that fact should be disclosed. Required by Sch 3A(58) of CA2014. registered office address where consolidated accounts can be obtained from if applicable. 	Yes	N/a
Disclose change in accounting estimate, reason for same and impact (Sch3A(19))	Yes	N/a
Details of indebtedness (Sch 3A(50)) – disclose: amounts which are repayable after 5 yrs of period end amount in total included in creditors where security is held type and nature of securities held. Include details of amounts included in creditors where amounts are payable by instalments in total (S.1AC.27 of FRS 102)	Yes	N/a
Where assets/liabilities are included in more than one line item on the face of the balance sheet, detail in the notes the item and the amount included under each heading if not shown separately in any other notes (Sch 3A(4)(7) CA 2014).		
Detail useful life on development expenditure capitalised and goodwill and the reason for capitalisation and selecting useful life (Sch 3A(24)(25))	Yes	N/a
Disclose impairment/reversal of impairments on all fixed assets (Sch 3A(23)(2))	Yes	N/a
Details of guarantees and other financial commitments inc contingencies (Sch 3A(51))	Yes	N/a
Details of events after year end (Sch 3A(56))	Yes	N/a
Related party transactions (Sch 3A(55))-Note disclosures less than what is required currently. Disclose: <ul style="list-style-type: none"> transactions as per S.305-S.309 CA2014; and other transactions to extent entered into under terms which is not under normal market conditions with the below with the exception of transactions with 100% owned companies: <ul style="list-style-type: none"> holders of associate interest or more in Company.; and Companies etc. in which Co. holds participating interest or more; and Directors of the company or of a holding company of that company 	Yes	N/a
Movement on profit and loss reserves including transfers in and out to be disclosed if not shown on face of profit and loss account or in SOCE. Movement in revaluation reserve and fair value reserve to be shown in tabular form	Yes	N/a
All notes for items included in fixed asset section of balance sheet where held at cost/ revalued amount – not including assets held at fair value through profit and loss account including details of movement on same for current year (Sch 3A(48)). No need for movement in prior year (Sch3A(5) CA 2014).	Yes	N/a
For fixed assets detailing impairments netted against cost where assets held at cost less impairment (Sch3A(45))	Yes	N/a
Where fixed assets revaluation policy is in place (Sch3A(49)): <ul style="list-style-type: none"> provide basis of valuation. movements in and out of revaluation reserve including tax effect historical cost profit note state NBV if it was carried at historical cost (not required for investment property) 	Yes	N/a

For financial instruments measured under Section 11 and 12 disclose for each instrument (Sch 3A(46)): <ul style="list-style-type: none"> • Significant assumptions underlying valuation models and techniques where fairvalue determined otherwise than by the market price in an active market • The fair value movement recognised in the financial statements • The amount credit or debited to a fair value reserve • For derivative financial instruments (e.g. foreign exchange contracts, interest swaps) detail: <ul style="list-style-type: none"> • extent and nature of the instruments including significant terms and conditions that affect amount, • timing and certainty of cash flows 	Yes	N/a
Disclose any off balance sheet commitments (e.g. operating leases etc.) – Sch 3A(51) CA 2014.	Yes	N/a
Include note disclosing the fact the ES PASE was applied if that is the case.	ES PASE	N/a
Disclose movement on fair value of investments in associates, subsidiaries or joint ventures where held at fair value.		
Any other disclosures required in order to allow the financial statements to show a true and fair view – S.289 CA 2014.	Yes	N/a

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WHAT DO ACCOUNTANTS NEED TO DO?

Review their client listing to assess which companies can apply Section 1A of FRS 102.

Advise clients of the additional choices available with regard to accounting standards (Section 1A FRS 102/full FRS 102) and the benefits this will provide with regard to the reduced disclosure requirements.

Advise the directors of the decisions that will be required to be made by them in assessing whether additional disclosures are required on top of the Company law requirements in order to show a true and fair view.

Assess whether their companies can avail of the reduced disclosures in Section 1A of FRS 102

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