
SCR Reporting

Bulletin 2020 / 1

SCR FINANCIAL REPORTING AND SCR CHARITY REPORTING

This bulletin reports big changes to the structure and content of SCR Financial Reporting and a major revamp of our charities publication, now titled SCR Charity Reporting. The updated disclosure checklists in both publications should be used immediately unless the accounting period ended before 1 January 2019.

SCR Financial Reporting

I am pleased to announce that the latest versions of our popular accounts disclosure checklists and illustrative accounts have now been updated for the latest versions of FRS 102 and FRS 105 together with changes in narrative reporting introduced by the Companies (Miscellaneous Reporting) Regulations 2018 and have now been published on our website. These should be used for periods commencing on or after 1 January 2019. The changes are summarised in Appendix 2 below.

In addition, we have reintroduced, but in a much more user-friendly format, standardised working papers. These can be used for audit exempt companies or where the audit firm is using a separate team for accounts preparation, to eliminate or reduce a self-review threat to an acceptable level.

To facilitate the use of the standard working papers on audits and for consistency with audit files we have used the same file structure as the audit manual.

SCR Financial Reporting Manual

SCR Financial Reporting is now organised in two volumes and is available only in PDF.

- (a) Volume 1 – Accounts Preparation Manual.
- (b) Volume 2 – Group Accounts

Volume 1 outlines the approach to the use of the documentation and incorporates general guidance relating to the preparation of accounts for micro, small and non-small entities. Volume 1 includes the standard work programmes as an Appendix, but they are also available separately in Word format so that you can complete on screen and in PDF format, so you can print and record manually.

Given the lack of familiarity with group accounts, and the fact that few firms are involved in the preparation of consolidated accounts, Volume 2 provides a detailed guide to the accounting requirements.

Standard documentation

The working papers include file dividers, standard planning and completion checklists and work programmes. There are two versions of the work programme included within the standard documentation. The first is a comprehensive checklist of steps and the other is blank framework in which the required steps can be documented at the planning stage or recorded while the accounts are being prepared.

There are three ways you can use the working papers available on the website:

- (a) Download the standard pack, which is a single pack including all working papers including the full work programme. This can be downloaded in Word and edited by deleting unnecessary schedules before printing.
- (b) Download the standard pack without work programmes. This allows you to include the full programme, the overview work programme or only those sections relevant to the assignment.

- (c) If you prefer not to use the other checklists the work programmes are available to download and use on their own.

Appendix 1 lists the documents included in your subscription and which are available on the SCR Financial Reporting section of the SCR website.

Disclosure checklists and accounting standards checklists and illustrative accounts

As well as updating the checklists and illustrative accounts we have made adjustments for best practice and corrected some minor discrepancies. They are now filed in separate sections of the website based on their usage rather than by reference to the size of the entity.

Since the working papers can be used on small, micro and non-small entities, they do not include the disclosure or accounting standards checklists, which are available separately within the relevant section of the website. The checklists are available in Word or PDF for the reasons noted above. The illustrative accounts are only available in PDF.

We do not anticipate that everyone will wish to use the full suite of working papers, but the documentation is arranged for easy access to those checklists you wish to use.

Conscious that with over 30 pages the Non-small companies accounts checklist can seem a bit unwieldy as it includes a lot of areas which do not apply to the typical company we have introduced an abbreviated version, leaving out the least common areas, but with supplementary checklists available if needed.

SCR Charity Reporting

We have now published two manuals and five updated accounts disclosure checklists. **SCR Charity Reporting** outlines the regulatory background for charities with specific guidance for the different jurisdictions (England and Wales, Scotland and Northern Ireland). The second volume **Compendium of reports** includes examples of audit and independent examiner reports.

The disclosure checklists can be used for small companies, non-small companies and non-company charities producing accruals accounts and for unincorporated charities and CIOs preparing receipts and payments accounts.

Audit and independent examiner working papers and illustrative accounts will follow.

SCR Audit Procedures

The standard audit working papers are now under review and should be published shortly.

We have also decided that it is appropriate to make the accounts disclosure checklists and accounting standards checklists available within the standard audit working papers. This ensures that a comprehensive manual is available for any audit manual user who does not subscribe to SCR Financial Reporting.

SCR Audit Compliance Procedures

The current version issued in 2019 remains appropriate. It will be updated as and when the FRC adopts updated quality standards.

Coronavirus Covid-19

The cancellation of training courses caused by coronavirus Covid-19 means that we can focus on writing material, subject to the health of the team. We are still able to answer technical queries and arrange hot and cold reviews by post / courier, although we are unable to visit firms in the foreseeable future unless in exceptional circumstances. We can, of course have video conference calls if there are urgent issues such as a pending regulatory visit.

We would like to wish all our subscribers a safe and healthy future and hopefully a quick return to business as usual.

Bill Telford
Editor

Feedback

We are always keen to hear feedback from our users. Please feel free to contact Bill or Mark with any suggestions, comments or ideas for new products or services. Bill is the principal contact for technical issues, Mark for administration, website and related issues. Bill's e-mail address is bill@scrreporting.co.uk while Mark can be contacted at info@scrreporting.co.uk

APPENDIX 1: CONTENTS OF SCR FINANCIAL REPORTING

The SCR Financial Reporting section of the website now contains

SCR Financial Reporting Manual

- Volume 1: Accounts Preparation Manual
- Volume 2: Group Accounts

Working papers

- Standard file – includes all documents including detailed work programme
- Standard file without work programme
- Detailed work programme
- Overview work programme

Accounts Disclosure Checklists (Word and PDF)

- Micro-company accounts disclosure checklist
- Small company FRS Section 1A accounts disclosure checklist
- Non-small company accounts disclosure checklist – Full
- Non-small company accounts disclosure checklist – Abbreviated
- Small group accounts disclosure checklist
- Non-small group accounts disclosure checklist
- Supplementary checklists (supplemental to Non-small abbreviated checklist)
 - Biological assets
 - Defined benefit pension schemes
 - First time adoption of FRS 102
 - Intangibles
 - Investment property
 - Investments
 - Non-basic financial instruments
 - Share based payments
 - Subsidiary or parent company

Accounting standards checklists (Word and PDF)

- FRS 102 Accounting standards checklist
- FRS 105 Accounting standards checklist

Illustrative accounts (PDF only)

- Micro-company accounts
- Small company abridged accounts
- Small company unabridged accounts
- Non-small company accounts

APPENDIX 2: SUMMARY OF CHANGES TO ACCOUNTING STANDARDS CHECKLISTS, DISCLOSURE CHECKLISTS AND ILLUSTRATIVE ACCOUNTS.

The Triennial Review of FRS 102 and FRS 105

The checklists and illustrative accounts were updated previously for the Triennial Review and the changes have been outlined in previous bulletins. It is clear that not everyone early adopted the changes in the standard and many are now having to adopt them for the first time for periods commencing on or after 1 January 2019.

It is important to remember that in general, any changes in accounting policy introduced by the Triennial Review are accounted for retrospectively i.e. adjust the opening equity at the beginning of the period (say 1 January 2018 for 31 December 2019 year-end) and adjust the 2018 comparatives, as if the new policy had always been applied. Additionally, the disclosure requirements relating to changes in accounting policy kick in, including disclosing the effects of the changes. The effects on opening equity will be shown within the statement of changes in equity (SOCE), if produced. A SOCE is mandatory for medium and large companies, and is encouraged for small

There are two significant variations with relation to the adoption of the Triennial Review of FRS 102:

- (a) Changes in the treatment of intangible assets are made prospectively. Therefore, an entity which has previously recognised intangible separate from goodwill for periods up to and including 31 December 2018 and now decides that it will not do so, starts applying the new policy only for acquisitions in the year ended 31 December 2019 and does not restate the previously recognised intangibles within goodwill.
- (b) Where an entity changes the accounting policy in relation to investment properties let to another group entity and moves from the fair value to the cost model, there is a transitional exemption allowing the fair value at the date of transition to be used as deemed cost, rather than having to be restated at the historical cost.

The Companies (Miscellaneous Reporting) Regulations 2018

The above regulations are effective for periods commencing on or after 1 January 2019. There are four key changes.

Section 172 statement

A new statement has been introduced for those companies required to prepare a strategic report but excluding medium-sized companies. Note that a plc will be required to comply with this requirement, irrespective of size, as a plc may not qualify as a small or medium-sized company.

The statement is required to describe how the directors have had regard to the matters set out in section 172 (1) of the Companies Act 2006 when performing their duty under section 172. The statutory duties require directors to have regard to:

1. The likely consequences of any decision in the long term
2. The interests of the company's employees
3. The need to foster the company's business relationships with suppliers, customers and others
4. The impact of the company's operations on the community and the environment
5. The desirability of the company maintaining a reputation for high standards of business conduct, and
6. The need to act fairly as between members of the company

Note that in practice some of these are potentially conflicting and it is important that directors take full responsibility for drafting it. The large firms and professional bodies have produced lots of useful guidance which is available on the internet.

In addition to including the statement in the strategic report, companies must make it available on a website maintained by the company or on its behalf or one which identifies the company by name.

This has also been added to the Non-small companies checklists.

Engagement with employees

A new disclosure requirement has been included within the directors' report but is only applicable to companies with more than 250 employees. It is therefore unlikely to apply to micro or small companies, but it is important to note that where the company is a parent, the average number of employees is based on the total employees of the group, ignoring those who work wholly or mainly outside the United Kingdom

The required disclosures, which have been incorporated into the small and non-small company disclosure checklists are as follows:

Unless the company is exempted under paragraph 11A¹ the directors' report for a financial year must contain a statement -

- (a) Describing the action that the company has taken during the financial year to introduce maintain or develop arrangements aimed at:
 - (i) Providing employees systematically with information of matters of concern to them as employers,
 - (ii) Consulting employees or their representatives on a regular basis so that views of employees can be taken into account in making decisions which are likely to affect their interests,
 - (iii) Encouraging the involvement of employees in the company's performance through an employees' share scheme or by some other means, and
 - (iv) Achieving a common awareness on the part of all employees of the financial and economic factors affecting the performance of the company and
- (b) Summarising
 - (i) How the directors have engaged with the employees, and
 - (ii) How the directors have had regard to employee interests, and the effect of that regard, including on the principal decisions taken by the company during the financial year

Engagement with suppliers, customers and others in a business relationship

This is another additional requirement for disclosure in the directors' report. However, the qualifying criteria relates only to qualification as a large company by reference to the size criteria. Therefore, plcs are exempt, if they are below the size criteria as are medium, small and micro-companies.

The required disclosure is of "a statement summarising how the directors have had regard to the need to foster the company's business relationships with suppliers, customers and others, and the effect of that regard, including on the principal decisions taken during the financial year."

There is a seriously prejudicial exemption from disclosing information about impending developments or matters in the course of negotiations.

This has now been added to the Non-small companies' disclosure checklist.

Statement of corporate governance arrangements

The new disclosure in the directors' report is only required where a company has more than 2000 employees, turnover of more than £200 million and balance sheet total of more than £200 million. It is therefore very unlikely to apply to any client of the typical SCR user but has been added to the non-small entities checklist for completeness.

Very large charitable companies and community interest companies are exempt, as are those entities already required to provide a corporate governance statement.

Greenhouse gas emissions, energy consumption and energy efficiency

Large users of energy are required to make disclosures in their directors' reports for periods commencing on or after **1 April 2019**.

¹ Companies with 250 or fewer employees are exempt. The usual two-year rule applies.

Again, we do not anticipate this applying to many clients of SCR users but have included it in the non-small entities disclosure checklist for completeness.