

Change in accounts filing for small companies

Small companies are required to file a copy of their end of year accounts with Companies House. For accounting periods beginning on or after 1 January 2016, new regulations are now in place. In the past, it has been possible to file abbreviated accounts, which are basically a few notes and a balance sheet with very little data regarding profitability. For smaller companies this has restricted the amount of financial information available in the public domain, and therefore their exposure to competitors.

The new regulations mean a radical change in company law. A company must now prepare and file the same set of accounts for its shareholders as for the public record. Previously a company would prepare full accounts for its shareholders and then decide whether or not to abbreviate them for the public record. Now a small company must decide at the point they are preparing their accounts whether or not to abridge them (or to prepare micro entity accounts if applicable).

To clarify, abridged accounts are not a replacement for abbreviated accounts. Abridged accounts are prepared for the company's shareholders. For the purpose of filing the accounts at Companies House the abridged accounts are then "filleted" to remove the Directors' Report, Profit and Loss account and Profit and Loss account related notes. The "filleted" abridged accounts are then filed at Companies House. This approach would result in the information filed at Companies House being as similar as possible to that filed under the previous regime.

This may be a good option if there is non-statutory information that the company would not want to disclose publically but a drawback is that they will not contain all the information that, for example, a potential lender may want to see.

According to www.gov.uk these are the options for small companies when filing their accounts:

Micro-entity accounts

You must meet at least 2 of the following criteria:

- turnover is no more than £632,000
- balance sheet total is no more than £316,000
- average number of employees is no more than 10

Abridged accounts

You must meet at least 2 of the following criteria:

- turnover is no more than £10.2 million
- balance sheet total is no more than £5.1 million
- average number of employees is no more than 50

If these changes affect you and your company we would recommend that you discuss the new reporting standards with your accountant.

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