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**29<sup>th</sup> April, 2015**

**To whom it may concern,**

**The Institute of Certified Public Accountants in Ireland welcomes the opportunity to comment on:**

**“ FRED 58 Draft FRS 105 *The Financial Reporting Standard applicable to the Micro-entities Regime*”**

In responding to this FRED we must include the caveat that as legislation defining micro-entities has yet to be drafted for Ireland we will be commenting on the proposed Standard and not any element of the UK legislation. We presume the Standard will be reviewed when and if Irish legislation is enacted to ensure its compatibility with that legislation.

**Question 1 - Structure and language of draft FRS 105**

**Maintaining consistency and structure between FRS102 and FRS105. Do you agree with this proposal?**

Yes. The concept of introducing FRS102 was to roll out a new framework that would attempt to merge local GAAP and IFRS to as much an extent as possible. If FRS105 were to adopt a different structure than FRS102 this would defeat the purpose of introducing FRS102 in the first instance.

**Question 2 - Legal requirements**

**To Align FRS105 with company law. Do you agree with this proposal?**

Yes, in principal. From a practical perspective it would be beneficial to have an accounting framework that is consistent with company law and has the same advantages outlined in Question 1 in terms of increasing comparability of financial statements and reducing education and training costs for advisors. However, we are not sure how relevant this is from an Irish perspective considering Irish company law has no statutory definition of a micro entity.

**Question 3 - Principles for simplification**

**Do you agree with the overarching principles and the resulting simplifications proposed in draft FRS 105?**

Yes. Removing the accounting policy options from FRS 105 would also remove any ambiguity about the type of accounting policies being chosen and underlying reasons for a particular choice. Additionally, we would agree with the Accounting Councils advice in relation to the specific accounting policies mentioned in 35 (a) – 35(d)

**Question 4 - Financial Instruments**

**Do you agree with this approach?**

Yes. However, the Accounting Council's advice in paragraph 45 recommends that micro entities should not be required to impute a market rate of interest where transactions are conducted below market rates but does not specify treatment where transactions between related parties are conducted above market rates of interest. Additionally, we think the overarching principal of “true and fair” should still apply.

**Question 5 – Capitalisation of development costs and borrowing costs**

We agree with the proposed mandatory treatment to expense both borrowing and developments costs. The alternative option of allowing the capitalisation of development costs and borrowing costs is open to “manipulation”.

**Question 6 – Government Grants**

On balance we agree with the proposed mandatory treatment to apply the performance method.

**Question 7 – Simplifications via cross-referencing to requirements in FRS 102**

We agree with the proposed approach in general, and specifically for the type of transactions as set out in the draft FRS 105. We would not be in favour of reproducing the requirements of FRS 102 within the draft FRS 105.

**Question 8 – Other simplifications**

We would not have any further accounting simplifications to propose.

**Question 9 - Residential Management Companies**

This may be confused with Owners’ Management Companies which is legislated for in Ireland under the Multi-Unit Developments Act 2011. We recommend that the distinction between UK and Irish legislation in made clear.

**Question 10 - This FRED is accompanied by a Consultation Stage Impact Assessment. Do you have any comments on the costs or benefits discussed in that assessment?**

We have no other comments.

If you have any questions on the above please do not hesitate to contact me.

Yours sincerely,

David Roxburgh  
Chairperson, Financial Reporting Sub - Committee