

**From:** [Max Pendleton](#)  
**To:** [UKFRS](#)  
**Subject:** FRED50  
**Date:** 28 October 2013 13:15:47

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Dear Sirs,

Please see below our comment on FRED50.

ICAEW requested UITF consider treatment of accounting transaction of RMC's due to there being diversity of practice, Our belief is that this is a direct result of a skewed interpretation of the requirements and treatment of L&T 1987.

Monies demanded from the members of a RMC are according to S386 of the 2006 Companies Act required to be reflected in the books of the RMC. Similarly monies spent on behalf of the residents of a RMC should likewise be reported. Therefore those transactions are required to be reflected in both the Companies House Financial Accounts and the Service Charge Accounts in the Profit and Loss of the former and in the Audited Certificate of Expenditure of the latter.

The monies collected and spent will result in a balance held in a bank account. As far as accounting and completing a Balance Sheet is concerned it is irrelevant as to whether this is named Cash in Bank or Cash held in Trust Account. That entry will match the cumulative balances from annual Profit and Loss Accounts. Our belief is that to fail to show either the income, expenditure or bank account balances in the Financial Accounts breaches S386 and exposes RMC Directors to prosecution and even incarceration. Further the Service Charge Accounts need to reflect all these and other transactions.

We are concerned that the objective of all concerned, particularly ICAEW seems to be to complicate what is in reality a straightforward process. All that is really needed is a set of documents made up of Directors Report, Profit and Loss and notes and Balance Sheet in a suitable format to be accepted by Companies House, then a further extension of those same accounts to reflect the requirements of L&T, being a audited certificate of expenditure and a suitable worded signed report from a registered auditor carrying the required L&T wording. The first say six pages go to Companies House and the six pages with say two more go to the lessees to meet the requirement of L&T.

We as managing agents of some 12,000 properties spread over some 325 RMCs have been using this system for a number of years, it complies with the requirements off Companies Act and it keeps lessees aware of finances in as straightforward a manner as possible. We regularly take over RMCs from other agents where nil nil accounts have been filed and Directors don't have a clue where they are financially, they also don't realise that they could risk a jail sentence for signing the nil accounts filed at Companies House.

Yours sincerely,

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