



# GUIDE TO THE AUDIT EXEMPTION AND PREPARATION OF COMPANIES ACTS INDIVIDUAL ACCOUNTS FOR SMALL PRIVATE COMPANIES

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# 1. INTRODUCTION

## 1.1 CRO

The CRO is the central repository of public statutory information on Irish companies. It operates under the aegis of the Department of Enterprise, Trade and Employment. It is located at Parnell House, 14 Parnell Square, Dublin 1.

### 1.1.2 The CRO's main functions are as follows:

- Incorporation of companies
- Registration of business names
- Registration of company post-incorporation documentation
- Registration of changes in business name particulars
- Enforcement, prosecution and striking companies off the Register
- Provision of information to the public

## 1.2 Opening hours

The CRO is open to the public every working day from 9.30am until 4.30pm. The Office's Information Unit may be contacted during normal working hours at 01 804 5200. Clients are also invited to contact the Office by email at [info@cro.ie](mailto:info@cro.ie).

## 1.3 Methods of access to information on companies

All statutory information provided by companies to the CRO is available to the public for inspection on payment of a small fee. While this leaflet gives the appropriate fee at the date of publication, the level of fees may vary. Details of the current fees are always available from the Office or on the CRO website, [www.cro.ie](http://www.cro.ie).

**1.3.1** Certain vital information, such as company name and registered office address, may be checked free of charge at [www.cro.ie/search](http://www.cro.ie/search). If you need more detailed company information such as an annual return, company accounts or company printout, these can be ordered and paid for online using a credit/debit card. Alternatively you can open a CRO deposit account.

This search facility provides round-the-clock access to company information. It is identical to that available in the CRO Public Office and results are emailed instantly. For further information regarding online services, visit [www.cro.ie](http://www.cro.ie), email [electronic\\_filing@entemp.ie](mailto:electronic_filing@entemp.ie) or telephone CRO Electronic Filing Section. For further information on opening a deposit account, email [accounts@cro.ie](mailto:accounts@cro.ie) or telephone CRO Accounts Section at 059-9178828.

**1.3.2** The CRO publishes a regular electronic bulletin giving up to date information on the Office's procedures, practices and services. There is no charge for the bulletin. Instructions on subscribing to the service are available from [www.cro.ie](http://www.cro.ie).

**1.3.3** You can retrieve a free duplicate certificate of incorporation for a company or registration of a business name from [www.cro.ie](http://www.cro.ie). This certificate is valid solely for public service use, for example for submission to the Revenue. Once requested, the duplicate certificate is instantly emailed to you.

**1.3.4** All statutory information supplied by companies is kept on files by the CRO; in paper format in the case of companies formed prior to 3 May 1990, and in electronic format for companies incorporated since that date. All company documents received in the CRO since 11 March 1991 are stored on a computerised imaging system.

**1.3.5** Files in paper format may be inspected during opening hours and may not be removed from the Office. Photocopying facilities are available in the Office. Scanned images of documents stored on the imaging system may be ordered online using a credit/debit card or by CRO account holders, by post, or at the Office. For further information regarding online services, visit [www.cro.ie](http://www.cro.ie), email [electronic\\_filing@entemp.ie](mailto:electronic_filing@entemp.ie) or telephone Electronic Filing Section. For further information on opening a deposit account, email [accounts@cro.ie](mailto:accounts@cro.ie) or telephone Accounts Section.

## 1.4 Types of company

There are two basic types of company, a private company and a public company. The majority of companies registered in Ireland are private companies and, of those, most are small, with one or two members. A small company is a company that has a balance sheet total not exceeding €1.9 million and a turnover not exceeding €3.8 million in a financial year. **This leaflet is directed at directors and secretaries of small, private companies only.** It is a brief guide and ought not to be regarded as a textbook for the preparation and/or audit of company accounts.

## 1.5 Annual return filing obligation

Every company, whether trading or not, is required by law<sup>1</sup> to file an annual return (Form B1) with the CRO once at least in every year.<sup>2</sup> Form B1 is a document setting out certain prescribed information in respect of the company. The documents generally required to be attached to an annual return of a limited company are copies of:

- the balance sheet;
- the profit and loss account;
- the directors' report; and
- the auditor's report.

Certain exemptions from these account filing requirements are available to small and medium-sized companies as defined by the Companies Acts 1963-2006.

The accounts annexed to an annual return delivered to the CRO are required<sup>3</sup> to cover the period:

- (a) in the case of the first annual return to which accounts are annexed – since the incorporation of the company, and
- (b) in any other case – since the end of the period covered by the accounts annexed to the preceding annual return

**and** must be made up to a date not earlier by more than nine months than the date to which the annual return is made up.

All small private companies and certain medium sized private companies qualify for the audit exemption in terms of the financial thresholds that are laid down by the Companies Acts. There are additional eligibility requirements which also have to be met - see 2.5 below

This leaflet specifically addresses the exemption for certain small private companies from the requirement to have their annual accounts audited.

## 1.6 Caution

Certain medium-sized companies, within the meaning of Section 8 of the Companies (Amendment) Act 1986, are now entitled to avail of the audit exemption laid down in Part III of the Companies (Amendment)(No.2) Act 1999 (as amended). However this leaflet is directed at small companies intending to avail of the exemption from audit only. In addition, this leaflet does not seek to interpret the Companies Acts in any way. While the staff of the CRO will answer questions you may have relating to the documents a company is required to file with the Office (including its annual return, auditor's report, directors' report, etc.), you should consult an accountant or auditor if further assistance is required in relation to the compilation, form, content or audit of a company's accounts. A list of those individuals and professional bodies whose members are recognised under the Companies Acts 1963-2006, to act as auditor is set out at Appendix 3.

<sup>1</sup> Section 125 Companies Act 1963

<sup>2</sup> See 2.5 for the date to which the annual return is required to be made up.

<sup>3</sup> Section 7(1A) Companies (Amendment) Act 1986 (inserted by section 64 Company Law Enforcement Act 2001)

## 2. QUESTIONS AND ANSWERS CONCERNING AUDIT EXEMPTION

### 2.1 Audit exemption

Save in the circumstances set out below, limited companies are required by law to have an auditor<sup>4</sup> and to have their accounts audited each year. Save in those particular circumstances, audited accounts are required to be annexed to the annual return<sup>5</sup> which must be filed by the company “once at least in every year” in the CRO.

Private<sup>6</sup> companies that meet certain criteria<sup>7</sup> may avail of an exemption from the requirement to have their accounts audited. These companies are absolved from the statutory requirement to appoint an auditor.

It should be noted that, as a matter of law, **no public company is eligible for the audit exemption**. Any company that is not a private company is by default a public company. A private company<sup>8</sup> is a company that has a share capital and by its articles of association:

- (a) restricts the right to transfer its shares;
- (b) limits the number of its members to 99<sup>9</sup> and
- (c) prohibits any invitation to the public to subscribe for any shares or debentures of the company.

A company that is limited by guarantee and does not have a share capital is a public company, and so cannot claim the exemption from audit.<sup>10</sup>

#### IMPORTANT NOTE

All companies, **including audit exempt companies**, are required to maintain books of account in which are accurately recorded, on a day to day basis, the finances of the company. In addition, the audit exemption does **not** grant a company any exemption (a) from the statutory requirement to prepare a full set of accounts, and (b) to lay those accounts before the AGM of the company, or (c) from the requirement to annex accounts in the format laid down by the Companies Acts 1963-2006 (“Companies Acts individual accounts”) or where the company has opted to prepare International Financial Reporting Standards (“IFRS”) accounts, to annex IFRS individual accounts<sup>11</sup> to its annual return which is filed in the CRO.

### 2.2 What is an audit?

An audit is an independent examination of the financial accounts of a business. The auditors complete their work to verify that the accounts have been prepared in accordance with company law and generally accepted accounting principles. Having carried out this work, the auditors prepare a report stating that the accounts show a true and fair view of the state of affairs of the company for the period under review and of the profit or loss of the company.

### 2.3 Why has an audit exemption been introduced for certain companies?

The audit requirement was perceived as imposing an undue burden on small firms. In many small companies, the managers and owners are often the same people, and the cost of the audit was regarded as outweighing the benefits derived.

<sup>4</sup> Section 160 Companies Act 1963

<sup>5</sup> Section 7 Companies (Amendment) Act 1986

<sup>6</sup> Only private companies may claim the audit exemption.

<sup>7</sup> Set out in Part III, Companies (Amendment)(No. 2) Act 1999 (sections 31-39, as amended by section 53 Companies (Auditing and Accounting) Act 2003) and section 9-10 Investment Funds, Companies and Miscellaneous Provisions Act 2006

<sup>8</sup> Defined by section 33 Companies Act 1963 as substituted by section 7 Investment Funds, Companies and Miscellaneous Provisions Act 2006

<sup>9</sup> Section 33 Companies Act 1963 as substituted by section 7 Investment Funds Companies And Miscellaneous Provisions Act 2006

<sup>10</sup> Many voluntary bodies and flat management companies are set up as guarantee companies without a share capital. These are public companies and so are not entitled to the audit exemption.

<sup>11</sup> Pursuant to SI No. 116 of 2005, EC (IFRS and Miscellaneous Amendments) Regulations 2005

## 2.4 Can all types of company avail of the audit exemption?

No. The following companies are **not entitled** to the exemption:

- (a) public companies<sup>12</sup>
- (b) parent undertakings or subsidiary undertakings within the meaning of the EC (Companies: Group Accounts) Regulations 1992
- (c) a holder of a licence under section 9 Central Bank Act 1971, or a company that is exempt from the requirement under that Act to hold such a licence
- (d) a company to which the EC (Insurance Undertakings: Accounts) Regulations 1996 applies
- (e) a company referred to in the Second Schedule to the Companies (Amendment)(No.2) Act 1999 (other than paragraph 18 thereof)<sup>13</sup>

## 2.5 My company is not disqualified under any of the above headings; can it avail of the audit exemption?

In order to avail of the audit exemption, the company must satisfy **all** of the following conditions, both in respect of the current financial year concerned **and** the preceding financial year, unless the year in respect of which the exemption is being claimed is the company's first financial year:<sup>14</sup>

- the company is a company to which the Companies (Amendment) Act 1986 applies;
- the company has turnover of less than €7.3 million during its financial year.<sup>15</sup>
- the balance sheet total of the company is less than €3.65 million at the end of its financial year.<sup>16</sup>
- the company has an average of less than 50 employees for the year.

A company must satisfy **each** of the foregoing conditions in respect of the financial year concerned in order to qualify for the exemption.

Even if a company meets each of the above four conditions in respect of its current financial year (and where the company had a previous financial year, the company also met those conditions in respect of that year), **it will be unable to file unaudited accounts for the financial year concerned with its annual return unless it files that return on time with the CRO and the return to which the company's accounts for its preceding financial year were attached was also filed on time with the CRO.**

Filing on time: A company's annual return is required<sup>17</sup> to be made up to a date that is no later than the company's ARD (Annual Return Date).<sup>18</sup> The annual return filing deadline is 28 days after the ARD or the effective date of the return, if same pre-dates the company's ARD, whichever is the earlier.<sup>19</sup> Any annual return delivered to the CRO after this filing deadline is late.<sup>20</sup> **As a matter of law, a late return disqualifies the company from claiming the audit exemption in respect of the accounts attached to the particular return as well as the following year's annual return, even if the company meets the other qualifying criteria for the audit exemption in respect of the financial years covered by the accounts attached to both returns.**<sup>21</sup>

<sup>12</sup> The exemption is limited by statute to private companies. See 2.1 above.

<sup>13</sup> See Chapter 3 for list of these companies that are not entitled to avail of audit exemption.

<sup>14</sup> Section 32 Companies (Amendment)(No.2) Act 1999

<sup>15</sup> If the financial year is less than 12 months either in respect of the current or preceding year, this threshold must be adjusted pro-rata. Section 9(b)(i) Investment Funds, Companies and Miscellaneous Provisions Act 2006

<sup>16</sup> Section 9(b)(ii) Investment Funds, Companies and Miscellaneous Provisions Act 2006.

<sup>17</sup> Section 127(1) Companies Act 1963 (inserted by section 60 Company Law Enforcement Act 2001)

<sup>18</sup> Every company has its own specific ARD. To check the ARD, log on to the online search facility at [www.cro.ie/search](http://www.cro.ie/search), and input the company's name or number.

<sup>19</sup> Section 127(2) Companies Act 1963 (inserted by section 60 Company Law Enforcement Act 2001)

<sup>20</sup> An annual return delivered out of time to the CRO incurs a late filing penalty in addition to the registration fee. See 2.9.6.

<sup>21</sup> Section 32a Companies (Amendment)(No.2) Act 1999, inserted by s.53 Companies (Auditing and Accounting) Act 2003

### 2.5.1 What does “preceding financial year” mean?

“Preceding financial year” in this instance is the financial year immediately preceding the financial year in respect of which the company has decided to avail of the audit exemption. Since the decision to avail of the exemption from audit may be made in respect of the current or any future financial year, the following examples are given by way of illustration of the effect of this requirement:

#### **Scenario A**

*A company’s financial year runs from the 1/1/2008 to 31/12/2008. The directors decide and record on 2/2/2008 that they are of the opinion that the company will fulfil the conditions set out in section 32(3) of the Companies (Amendment)(No. 2) Act 1999 in respect of the current financial year. In this instance the “preceding financial year” is the financial year which ran from 1/1/2007 to 31/12/2007, being the financial year preceding the financial year in respect of which the decision has been taken.*

#### **Scenario B**

*A company’s financial year runs from 1/01/2008 to 31/12/2008. The directors decide and record on 1/12/2007 that they are of the opinion that the company will fulfil the conditions set out in section 32(3) of the Act in respect of the forthcoming financial year from 1/01/2008 to 31/12/2008. In this instance the “preceding financial year” in question is again the financial year running from the 1/01/2007 to 31/12/2007, being the financial year preceding the financial year in respect of which the decision has been taken.*

#### **Scenario C**

*Company is incorporated on 10/1/2008. Its first financial year runs from 10/1/2008 to 31/12/2008. The directors decide and record on 15/9/2008 that they are of opinion that the company will fulfil the conditions set out in section 32(3) of the Act in respect of its current financial year. As this is the company’s first financial year, there was no preceding financial year and section 32(1)(b) does not apply.*

### 2.6 My company meets all of the above criteria. What next?

In order to avail of the exemption, the directors of the company must:

- be of the opinion that the company will satisfy the statutory conditions in respect of the current financial year or a future financial year;<sup>22</sup>
- decide that the company will avail of the exemption in respect of the financial year concerned; and
- record that decision in the minutes of the meeting concerned.

In deciding if they want to have the audit in respect of a financial year, they should consider the fact that third parties connected with the company (e.g. bankers or trade organisations) may still require an audit to be completed.

Furthermore, if a number of the company’s shareholders<sup>23</sup> request that the company not avail itself of the exemption and serve notice in writing to this effect on the company in the financial year immediately preceding the financial year concerned or during the financial year concerned but not later than one month before the end of that year, the company must have an audit.

The decision that the company will avail of the exemption from audit may be made during the financial year in which the exemption is to be availed of, or in respect of a future financial year. The directors do not have to know that a company satisfies or will satisfy the statutory conditions. Rather they are required simply to be of the opinion that those conditions will be satisfied.

It should also be noted that the statutory requirement to make and record the decision in respect of a financial year that has not yet come to an end, precludes the possibility of claiming the audit exemption retrospectively.

<sup>22</sup> As section 32(1)(a) Companies (Amendment)(No. 2) Act 1999 provides that the directors must be of opinion that the company “will satisfy” the audit exemption qualifying conditions in respect of a financial year, the financial year in question cannot already have ended.

<sup>23</sup> Holding shares that confer, in aggregate, not less than 10% of the total voting rights in the company.

Whilst the decision to avail of the exemption may be made in respect of a current or future financial year, it cannot be made in respect of a financial year that has already ended.<sup>24</sup>

Where the exemption is being availed of, the following statements **must** be included<sup>25</sup> in the company's balance sheet by the directors of the company:

- (a) "that the company is availing itself of the exemption<sup>26</sup> provided for by Part III of the Companies (Amendment)(No. 2) Act 1999" **(these specific words must be used)**
- (b) "that the company satisfies the conditions specified in section 32 of the 1999 Act (as amended by section 53 of the Companies (Auditing and Accounting) Act 2003 and amended by section 9 Investment Funds Companies and Miscellaneous Provisions Act 2006)"<sup>27</sup>
- (c) "that the shareholders of the company have not served a notice on the company under section 33(1) in accordance with section 33(2) of the 1999 Act"<sup>28</sup>
- (d) an acknowledgment by the directors "of the company's obligations under the Companies Acts 1963-2006, to keep proper books of account and prepare accounts which give a true and fair view of the state of affairs of the company at the end of its financial year and of its profit or loss for such a year and to otherwise comply with the provisions of those Acts relating to accounts so far as they are applicable to the company"

The above statements<sup>29</sup> must appear in the balance sheet immediately above the signatures of the directors.

It is a criminal offence for any person to make a statement in any return, balance sheet or other document in relation to the audit exemption, which is false in any particular, knowing it to be false.<sup>30</sup>

#### **IMPORTANT NOTE**

If the accounts delivered to the CRO for filing are not in the correct format and/or do not contain the information required under the Companies Acts or under the EC (IFRS and Miscellaneous Amendments) Regulations 2005, as applicable, the annual return may not be accepted by the CRO, but returned to the presenter to rectify the deficiency. If accounts are not correctly completed, the company and every officer of the company who is in default shall be liable on summary conviction to a fine not exceeding €1,904.61.<sup>31</sup> Any person who wilfully makes a statement false in any material particular in the accounts delivered to the CRO, knowing it to be false, shall be liable on conviction on indictment to imprisonment for a term not exceeding five years or a fine not exceeding €3,174.35 or both, or on summary conviction, to imprisonment for a term not exceeding six months or a fine not exceeding €1,904.61 or both.

<sup>24</sup> Section 32(1)(a) provides that the directors must be of opinion "that the company **will** satisfy the conditions specified in subsection (3) in respect of a financial year...."

<sup>25</sup> Required by section 33(4) Companies (Amendment)(No.2) Act 1999 as amended by section 9(1)(d)(iii) Investment Funds Companies and Miscellaneous Provisions Act 2006

<sup>26</sup> See 2.1.

<sup>27</sup> See 2.5.

<sup>28</sup> See 2.6, second paragraph.

<sup>29</sup> If the unaudited accounts are abridged pursuant to sections 10 and 12 Companies (Amendment) Act 1986, an additional statement must also be included in the balance sheet by the directors to certify this. In relation to abridgment of accounts, see 2.9.3.

<sup>30</sup> Section 37 Companies (Amendment)(No. 2) Act 1999

<sup>31</sup> Section 22 Companies (Amendment) Act 1986



## 2.7 When a company decides to terminate the appointment of its auditor because the company is availing of the audit exemption, the auditor must be advised of this fact. Is the auditor required to take any steps?

When the auditor receives the company's notification of termination of his appointment, he/she must, within 21 days, notify the company in writing that there are no circumstances connected with the decision of the company to terminate his/her appointment that he/she considers should be brought to the notice of the members or creditors of the company. If, however, there are such circumstances, the auditor must detail them in the notice to the company.<sup>32</sup> The auditor must also send to the Registrar of Companies within 14 days a copy of the notice that he/she has sent to the company.

## 2.8 Can my company avail of the exemption in respect of a previous financial year?

No. The exemption may be availed of only where the directors **in the course of or prior to** the financial year in question are of opinion that the company **will** satisfy the qualification conditions for audit exemption in respect of that financial year and decide that the company should avail itself of the exemption in that year, and record that decision in the minutes of the meeting concerned.<sup>33</sup>

## 2.9 Does an audit-exempt company still have to prepare company accounts and file them with its annual return in the CRO?

Yes. The only exemption granted is from having the accounts **audited**. There is no exemption from the statutory requirements that a company must prepare full accounts, lay them before the company's AGM, and file accounts with its annual return.

**2.9.1** The accounts filed with the CRO are required to be in the format laid down by the Companies Acts, and must observe specified accounting principles,<sup>34</sup> or where the company has opted to prepare accounts in accordance with international financial reporting standards ("IFRS individual accounts"), those accounts must be prepared in accordance with international financial reporting standards.<sup>35</sup> The format of the profit and loss account and balance sheet of a limited liability company preparing Companies Acts individual accounts are set out in the Companies Acts,<sup>36</sup> as are the historical cost rules to be observed when drawing up a set of Companies Acts individual accounts.<sup>37</sup> For IFRS individual accounts, the relevant requirements are found in SI 116 of 2005 EC (IFRS and Miscellaneous Amendments) Regulations 2005.

**2.9.2** The focus of this leaflet is on accounts prepared in the format laid down by the Companies Acts ("Companies Acts individual accounts"). Companies Acts individual accounts must give a "true and fair view" of the state of affairs of the company **in respect of the financial year**, and must comply with the requirements of the 1986 Act. Typical disclosures required to give a "true and fair" view are:

- related party transactions
- wages and salaries
- average number of employees
- details of loans to or transactions with directors
- bank guarantee details
- details of fixed assets

<sup>32</sup> Section 34(3) Companies (Amendment)(No. 2) Act 1999

<sup>33</sup> Section 32(1)(a) Companies (Amendment)(No. 2) Act 1999

<sup>34</sup> See Appendix 2, section (a)

<sup>35</sup> Since 2005, companies have been given the option of preparing accounts in accordance with international financial reporting standards and section 149A Companies Act 1963, known as "IFRS individual accounts", in lieu of accounts prepared pursuant to the Companies Acts 1963-2006 and described as "Companies Acts individual accounts". Where IFRS individual accounts are prepared by the directors of a company, they are required to state in the notes to those accounts that they have been prepared in accordance with international financial reporting standards and to ensure that the notes contain the information required by various provisions specified in section 149A(1)(b) of the Companies Act 1963. For further information in relation to preparation of IFRS individual accounts, see SI No 116 of 2005, EC (IFRS and Miscellaneous Amendments) Regulations 2005.

<sup>36</sup> Part I, Schedule to Companies (Amendment) Act 1986. A sample format abbreviated balance sheet is set out in Appendix 1.

<sup>37</sup> Part II, Schedule to Companies (Amendment) Act 1986

### 2.9.3 Statutory accounts and abridged accounts

An audit exempt company pursuant to the Companies (Amendment)(No.2) Act 1999 is also a “small” company<sup>38</sup> within the meaning of the Companies (Amendment) Act 1986. A small company must prepare **full** accounts and present them to the AGM. Where the accounts prepared and so presented are Companies Acts individual accounts, a small company may abridge those accounts for filing purposes.<sup>39</sup>

Certain medium-sized companies may also qualify for the audit exemption - namely, private companies which have a balance sheet total not exceeding €3.65 million and a turnover not exceeding €7.3 million and which otherwise meet the audit exemption eligibility criteria (see 2.5 above). The scope of this leaflet is however limited to audit exempt companies which are small companies within the meaning of section 8 of the Companies (Amendment) Act 1986 (balance sheet total not exceeding €1.9 million and turnover not exceeding €3.81 million in a financial year).

A “small company” is not required to annex to its annual report a copy of the profit and loss account or the report of the directors<sup>40</sup> accompanying the balance sheet of the company. The directors must certify in the balance sheet that they “have relied on the specific exemptions contained in sections 10 and 12 of the Companies (Amendment) Act 1986<sup>41</sup> on the grounds that the company is entitled to the benefits of those exemptions as a small company”. The balance sheet must be signed on behalf of the company directors by two directors.

When filing its annual return, a small private company which has prepared Companies Acts individual accounts may annex an abridged balance sheet to the return.

A sample format abbreviated balance sheet for a company which has prepared Companies Acts individual accounts is set out in Appendix 1.

Where a small company has prepared IFRS individual accounts, the company is required to file the full balance sheet included in the IFRS individual accounts with its annual return.<sup>42</sup>

### 2.9.4 Notes to the accounts required in the case of a small company preparing Companies Acts individual accounts

The notes, which are required by the Companies Acts<sup>43</sup> to be included in the accounts of a small company, are set out in Appendix 2, section (e).

### 2.9.5 Period covered by the accounts

The accounts annexed to an annual return delivered to the CRO are required to cover the period:

- (a) in the case of the first annual return to which accounts are annexed – since the incorporation of the company, and
  - (b) in any other case – since the end of the period covered by the accounts annexed to the preceding annual return,
- and** must be made up to a date not earlier by more than nine months than the date to which the annual return is made up.<sup>44</sup>

<sup>38</sup> Section 8 Companies (Amendment) Act 1986

<sup>39</sup> Section 10(2)(b) of the 1986 Act, inserted by Regulation 5(f) of SI 116 of 2005.

<sup>40</sup> If the audit exemption is being claimed, the directors must however include certain statements in the balance sheet above their signature. See 2.6.

<sup>41</sup> Section 10 - exemption for small companies from certain provisions of sections 3 and 7 of the 1986 Act; section 12 - exemptions in relation to notes to accounts for small companies.

<sup>42</sup> Section 10(2)(a) of the 1986 Act (inserted by Regulation 5(f) of SI No 116 of 2005)

<sup>43</sup> Section 12 Companies (Amendment) Act 1986

<sup>44</sup> Section 7(1A) Companies (Amendment) Act 1986 (inserted by section 64 Company Law Enforcement Act 2001)

### **2.9.6 Late filing penalty**

An annual return delivered out of time<sup>45</sup> to the CRO incurs a late filing penalty in addition to the registration fee. The late filing penalty applies from the date on which the return initially became late. The initial penalty is €100, with a daily default penalty of €3 applying thereafter. If the annual return, which is delivered late to the CRO, has unaudited accounts attached, the return is liable to be rejected by the CRO as the company is disqualified from the audit exemption on the basis of late delivery of its annual return.<sup>46</sup>

### **2.10 What happens if a company ceases to comply with the qualifying conditions during the course of a financial year in respect of which it is intended to claim the audit exemption?**

The directors have a duty to appoint an auditor to the company as soon as may be after the company ceases to comply with the qualifying conditions.<sup>47</sup>

### **2.11 I have further queries about the audit exemption/preparation of accounts. Who can help me?**

The CRO recommends that you consult with your professional adviser, particularly if you intend to claim the audit exemption but are unsure about how to prepare the accounts which are required to be delivered with the company's annual return. This should be done without undue delay, as the time for preparation of company accounts is not open-ended. You should note the date by which the annual return is required by law to be delivered to the CRO,<sup>48</sup> and the requirement that the accompanying accounts can predate the date to which the annual return has been made up by no more than nine months.<sup>49</sup>

<sup>45</sup> See 2.5. If the annual return for either the previous year (where the previous year's return had accounts attached) or the current year is delivered late, the company cannot file unaudited accounts with the current return.

<sup>46</sup> See 2.5.

<sup>47</sup> Section 32 Companies (Amendment)(No. 2) Act 1999 See 2.5 for the qualifying conditions.

<sup>48</sup> See 2.5.

<sup>49</sup> See 2.9.5.

### 3. COMPANIES NOT ENTITLED TO AVAIL OF AUDIT EXEMPTION<sup>50</sup>

#### **Second Schedule to Companies (Amendment)(No.2) Act 1999 (other than paragraph 18 thereof)**

A company that is a member firm within the meaning of the Stock Exchange Act 1995.

A company that is a stock exchange within the meaning of the Stock Exchange Act 1995.

A company that is an associated undertaking or a related undertaking of a member firm or stock exchange within the meaning of the Stock Exchange Act 1995.

A company that is an investment business firm within the meaning of the Investment Intermediaries Act 1995.

A company that is an associated undertaking or a related undertaking of an investment business firm within the meaning of the Investment Intermediaries Act 1995.

A company to which Chapter VII, VIII or IX of Part II of the Central Bank Act 1989, applies.

A company that is engaged in the business of accepting deposits or other repayable funds or granting credit for its own account.

A company that is an associated body of a building society within the meaning of the Building Societies Act 1989.

A company that is an associated enterprise of a credit institution within the meaning of the European Communities (Consolidated Supervision of Credit Institutions) Regulations 1992 (S.I. No. 396 of 1992).

An investment company within the meaning of Part XIII of the Companies Act 1990.

A company that is a management company or trustee within the meaning of Part XIII of the Companies Act 1990.

A company that is an undertaking for collective investment in transferable securities within the meaning of the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 1989 (S.I. No. 78 of 1989).

A company that is a management company or trustee of an undertaking for collective investment in transferable securities within the meaning of the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 1989 (S.I. No. 78 of 1989).

A company that is a management company or trustee of a unit trust scheme within the meaning of the Unit Trusts Act 1990.

A company that is a general partner or custodian of an investment limited partnership within the meaning of the Investment Limited Partnerships Act 1994.

A company that is an undertaking with close links with a financial undertaking within the meaning of the Supervision of Credit Institutions, Stock Exchange Member Firms and Investment Business Firms Regulations 1996 (S.I. No. 267 of 1996).

Any other company the carrying on of business by which is required, by virtue of any enactment or instrument thereunder, to be authorised by the Central Bank.

A company that is an insurance intermediary within the meaning of the Insurance Act 1989.

A company that is an excepted body within the meaning of the Trade Union Acts 1871-1990.

<sup>50</sup> This is not an exhaustive list of the company types which are not entitled to avail of the audit exemption. See 2.4.

## APPENDIX 1

### SAMPLE ABRIDGED COMPANIES ACTS INDIVIDUAL ACCOUNTS OF SMALL, AUDIT EXEMPT COMPANY (to be filed in the CRO with company's annual return)

ABCD LIMITED

#### Reports and unaudited financial statements

<i>CONTENTS</i>	<i>PAGE</i>
Directors and other information	[ ]
Statement of directors' responsibilities and declaration on unaudited financial statements	[ ]
Balance sheet as at [INSERT YEAR END] (abridged)	[ ]
Notes to the accounts	[ ]

ABCD LIMITED

#### Directors and other information

Directors:

Secretary:

Bankers:

Solicitors:

Registered office:

Company registered number:

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*There are no requirements to provide this information. However, it is best accounting practice to do so.*

**Statement of directors' responsibilities and declaration on unaudited financial statements**

*General responsibilities*

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and Generally Accepted Accounting Practice in Ireland, including the accounting standards issued by the Accounting Standards Board.

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- prepare the financial statements in the going concern basis unless it is inappropriate to presume that the company will continue business

The directors are responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Acts 1963-2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included in the company's website. Legislation in Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

*Directors' declaration on unaudited financial statements*

In relation to the financial statements as set out on pages [ ] to [ ]:

- (a) the directors approve these financial statements and confirm that they are responsible for them, including selecting the appropriate accounting policies, applying them consistently and making, on a reasonable and prudent basis, the judgements underlying them. They have been prepared on the going concern basis on the grounds that the company will continue in business.
- (b) the directors confirm that to the best of their knowledge and belief, the accounting records reflect all the transactions of the company for the year ending [ ].

On behalf of the board

( \_\_\_\_\_ )  
Director

( \_\_\_\_\_ )  
Director

Date:

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*There are no requirements to provide this information. However, it is best accounting practice to do so.*

ABCD LIMITED

**Balance Sheet as at [INSERT YEAR END]<sup>51</sup> (abridged)**

*(Note: The footnotes to the balance sheet are included for explanatory purposes only and ought not appear in the document delivered to the CRO.)*

	Notes <sup>52</sup>	Current Year 2008	Previous Year 2007
		€	€
(Relative figures for this year and last year are required)			
<b>Fixed assets</b>			
• Intangible assets <sup>53 54</sup>		xxxx	xxxx
• Tangible assets		xxxx	xxxx
• Financial assets		xxxx	xxxx
<b>Current assets</b>			
• Stocks		xxxx	xxxx
• Debtors <sup>55</sup>		xxxx	xxxx
• Investments		xxxx	xxxx
• Cash at bank and in hand		xxxx	xxxx
<b>Creditors: amounts falling due within one year</b> <sup>56 57 58 59</sup>		xxxx	xxxx
<b>Net current assets (liabilities) [DEDUCT TOTAL FOR CREDITORS FROM CURRENT ASSETS]</b>		xxxx	xxxx
<b>Total assets less current liabilities [DEDUCT TOTAL FOR CREDITORS FROM TOTAL OF FIXED AND CURRENT ASSETS]</b>		xxxx	xxxx

<sup>51</sup> The accounts annexed to an annual return delivered to the CRO are required to cover the period: (a) in the case of the first annual return to which accounts are annexed - since the incorporation of the company, and (b) in any other case – since the end of the period covered by the accounts annexed to the preceding annual return and must be made up to a date no earlier by more than nine months than the date to which the annual return is made up. (Section 7(1A) Companies (Amendment) Act 1986 (inserted by section 64 Company Law Enforcement Act 2001)

<sup>52</sup> A note is required if explanation of any figure is necessary to understand that figure or to give a “true and fair view” of the state of affairs of the company.

<sup>53</sup> Amounts in respect of concessions, patents, trade marks and similar rights and assets shall only be included in a company’s balance sheet under this item if the assets were either (a) acquired for valuable consideration and are not required to be shown under goodwill or (b) were created by the company itself.

<sup>54</sup> Amounts representing goodwill shall only be included to the extent that the goodwill was acquired for valuable consideration.

<sup>55</sup> The amounts falling due after more than one year shall be shown separately for each item included under debtors.

<sup>56</sup> Debenture loans – the amount of any convertible loans shall be shown separately.

<sup>57</sup> Payments received on account of orders shall be shown for each of these items insofar as they are not shown as deductions from stocks.

<sup>58</sup> The amount for creditors in respect of taxation and social welfare shall be shown separately from the amount for other creditors and in respect of taxation there shall be stated separately the amounts included in respect of income tax payable on emoluments to which Chapter IV of the Income Tax Act 1967 applies, any other income tax, corporation tax, capital gains tax, VAT and any other tax.

<sup>59</sup> Accruals and deferred income - the amount in respect of Government grants made by or on behalf of the Government) included in this item shall be shown separately in a note to the accounts unless it is shown separately in the balance sheet.

<b>Creditors:</b> amounts falling due after more than one year <sup>60 61 62 63</sup>	XXXX	XXXX
<b>Provisions for liabilities</b>	XXXX	XXXX
<b>Capital and reserves</b>		
• Called up share capital <sup>64</sup>	XXXX	XXXX
• Share premium account	XXXX	XXXX
• Revaluation reserve	XXXX	XXXX
• Other reserves	XXXX	XXXX
• Profit and loss account	XXXX	XXXX

We, as Directors of ABCD Limited, state that:

(a) the company is availing itself of the exemption provided for by Part III of the Companies (Amendment)(No.2) Act 1999;

(b) the company satisfies the conditions specified in section 32 of the 1999 Act (as amended by section 53 Companies (Auditing and Accounting) Act 2003 and by section 9 Investment Funds, Companies and Miscellaneous Provisions Act 2006);

(c) no notice under section 33(1) of the 1999 Act has in accordance with section 33(2) of the 1999 Act been served on the company;

(d) we acknowledge the company's obligations under the Companies Acts 1963-2006, to keep proper books of account and to prepare accounts which give a true and fair view of the state of affairs of the company at the end of its financial year and of its profit or loss for such a year and to otherwise comply with the provisions of those Acts relating to accounts so far as they are applicable to the company;

(e) we hereby certify that we have relied on the specific exemptions contained in sections 10 and 12 of the Companies (Amendment) Act 1986 on the grounds that the company is entitled to the benefits of those exemptions as a small company.

On behalf of the board

**Signature:**  
**Name (block capitals):**  
**Director**  
**Date**

**Signature:**  
**Name (block capitals):**  
**Director**  
**Date**

## NOTES TO THE ACCOUNTS

(See Appendix 2, section (e) for details of the notes that are required by law to be included in the Companies Acts individual accounts of a "small" company.

<sup>60</sup> See Footnote 54.

<sup>61</sup> See Footnote 55.

<sup>62</sup> See Footnote 56.

<sup>63</sup> See Footnote 57.

<sup>64</sup> The amount of allotted share capital and the amount of called up share capital which has been paid up shall be shown separately.



## APPENDIX 2

### **(a) ACCOUNTING PRINCIPLES TO BE OBSERVED IN THE PREPARATION OF COMPANIES ACTS INDIVIDUAL ACCOUNTS (Section 5 Companies (Amendment) Act 1986)**

The amounts to be included in the accounts of a company in respect of the items shown shall be determined in accordance with the following principles:

- (a) the company shall be presumed to be carrying on business as a going concern,
- (b) accounting policies shall be applied consistently from one financial year to the next,
- (c) the amount of any item in the accounts shall be determined on a prudent basis and in particular –
  - (i) only profits realised at the balance sheet date shall be included in the profit and loss account, and
  - (ii) all liabilities and losses which have arisen in respect of the financial year to which the accounts relate, or a previous financial year, shall be taken into account, including those liabilities and losses which only become apparent between the balance sheet date and the date on which the accounts are signed in pursuance of section 156 of the Companies Act 1963,<sup>65</sup>
- (d) all income and charges relating to the financial year to which the accounts relate shall be taken into account without regard to the date of receipt or payment,
- (e) in determining the aggregate amount of any item the amount of each individual asset or liability that falls to be taken into account shall be determined separately, and
- (f) in determining how amounts are presented within items in the profit and loss account and balance sheet, the directors of a company shall have regard to the substance of the reported transaction or arrangement, in accordance with generally accepted accounting principles or practice.

If it appears to the directors of a company that there are special reasons for departing from any of the principles specified at (a) to (f) above, they may so depart, but particulars of the departure, the reason for it and its effect on the balance sheet and profit and loss account of the company shall be stated in a note to the accounts, for the financial year concerned, of the company.<sup>66</sup>

### **(b) HISTORICAL COST RULES IN RELATION TO THE DRAWING UP OF COMPANIES ACTS INDIVIDUAL ACCOUNTS (Part II, Schedule to 1986 Act)**

#### **Preliminary**

4. Subject to Part III and IIIA of the Schedule to the 1986 Act,<sup>67</sup> the amounts to be included in respect of all items shown in a company's accounts shall be determined in accordance with the rules set out in the following paragraphs:

<sup>65</sup> Section 156 requires every balance sheet and profit and loss account of a company to be signed on behalf of the directors by two of the directors of the company.

<sup>66</sup> Section 6 Companies (Amendment) Act 1986

<sup>67</sup> Part III of the Schedule sets out alternative rules in relation to the drawing up of accounts. See Appendix 2, section (c). Part IIIA deals with Valuation at Fair Value and was inserted by SI No 765 of 2004, EC (Fair Value Accounting) Regulations 2004. See Appendix 2, section (d)

## **FIXED ASSETS**

### **General Rules**

5. Subject to any provision for depreciation or diminution in value made in accordance with paragraph 6 or 7 of the Schedule to the 1986 Act,<sup>68</sup> the amount to be included in respect of any fixed asset shall be its purchase price or production cost.

6. In the case of any fixed asset which has a limited useful economic life, the amount of –

- (a) its purchase price or production cost, or
- (b) where it is estimated that any such asset will have a residual value at the end of the period of its useful economic life, its purchase price or production cost less that estimated residual value,

shall be reduced by provisions for depreciation calculated to write off that amount systematically over the period of the asset's useful economic life.

7. (1) Where a financial asset of a description falling to be included in the balance sheet under the heading "Financial Assets" has diminished in value, provisions for diminution in value may be made in respect of it and the amount to be included in respect of it may be reduced accordingly; and any such provisions which are not shown separately in the profit and loss account shall be disclosed (either separately or in aggregate) in a note to the accounts.

(2) Provisions for diminution in value shall be made in respect of any fixed asset which has diminished in value if the reduction in its value is expected to be permanent (whether its useful economic life is limited or not) and the amount to be included in respect of it shall be reduced accordingly; and any such provisions which are not shown separately in the profit and loss account shall be disclosed (either separately or in aggregate) in a note to the accounts.

(3) Where the reasons for which any provision was made in accordance with subparagraph (1) or (2) of this paragraph have ceased to apply to any extent, that provision shall be written back to the extent that it is no longer necessary; and any amounts written back in accordance with this subparagraph which are not shown in the profit and loss account shall be disclosed (either separately or in aggregate) in a note to the accounts.

### **Rules for determining particular fixed asset items**

8. (1) Notwithstanding that an item in respect of "development costs" is included under "fixed assets" in the balance sheet formats set out in Part 1 of the Schedule to the 1986 Act, an amount may only be included in a company's balance sheet in respect of that item in special circumstances.

(2) If an amount is included in a company's balance sheet in respect of development costs, the following information shall be given in a note to the accounts -

- (a) the period over which the amount of those costs originally capitalised is being or is to be written off, and
- (b) the reasons for capitalising the costs in question.

9. (1) The application of paragraphs 5 to 7 of the Schedule to the 1986 Act in relation to goodwill (in any case where goodwill is treated as an asset) is subject to the following provisions of this paragraph.

(2) Subject to subparagraph (3) of this paragraph, the amount of the consideration for any goodwill acquired by a company shall be reduced by provisions for depreciation calculated to write off that amount systematically over a period chosen by the directors of the company.

(3) The period chosen shall not exceed the useful economic life of the goodwill in question.

<sup>68</sup> The paragraph numbers in parts (b), (c), (d) and (e) of this Appendix correspond with those in the Schedule to the 1986 Act (as amended).

(4) In any case where any goodwill acquired by a company is shown or included as an asset in the company's balance sheet, the period chosen for writing off the consideration for that goodwill and the reasons for choosing that period shall be disclosed in a note to the accounts.

## **CURRENT ASSETS**

10. Subject to paragraph 11 of the Schedule to the 1986 Act the amount to be included in respect of any current asset shall be its purchase price or production cost.

11. (1) If the net realisable value of any current asset is lower than its purchase price or production cost, the amount to be included in respect of that asset shall be the net realisable value.

(2) Where the reasons for which any provision for diminution in value was made under subparagraph

(1) of this paragraph have ceased to apply to any extent, that provision shall be written back to the extent that it is no longer necessary.

## **MISCELLANEOUS**

### **Excess of money owed over value received as an asset item**

12. (1) Where the amount repayable on any debt owed by a company is greater than the value of the consideration received in the transaction giving rise to the debt, the amount of the difference may be treated as an asset.

(2) Where any such amount exists –

(a) it shall be written off by reasonable amounts each year and shall be completely written off before repayment of the debt; and

(b) if the amount not written off is not shown as a separate item in the company's balance sheet, it shall be disclosed in a notes to the accounts.

### **Assets included at a fixed amount**

13. (1) Subject to subparagraph (2) of this paragraph, assets which fall to be included –

(a) amongst the fixed assets of a company under the item "tangible assets", or

(b) amongst the current assets of a company under the item "raw materials and consumables",

may be included at a fixed quantity and value.

(2) Subparagraph (1) of this paragraph applies to assets of a kind which are constantly being replaced, where –

(a) their overall value is not material to assessing the company's state of affairs, and

(b) their quantity, value and composition are not subject to material variation.

### **Determination of purchase price or production cost**

14. (1) The purchase price of an asset shall be determined by adding to the actual price paid any expenses incidental to its acquisition.

(2) The production cost of an asset shall be determined by adding to the purchase price of the raw materials and consumables used the amount of the costs incurred by the company which are directly attributable to the production of that asset.

(3) In addition there may be included in the production cost of an asset –

(a) a reasonable proportion of the costs incurred by the company which are only indirectly attributable to the production of that asset, but only to the extent that they relate to the period of production, and

(b) interest on capital borrowed to finance the production of that asset, to the extent that it accrues in respect of the period of production:

Provided, however, in a case within clause (b) of this subparagraph that the inclusion of the interest in determining the cost of that asset is disclosed in a note to the accounts.

(4) In the case of current assets, distribution costs may not be included in production costs.

15. (1) Subject to the qualification mentioned in this subparagraph, the purchase price or production cost of –

- (a) any assets which fall to be included under any item shown in a company's balance sheet under the general item "stocks", and
- (b) any assets which are fungible assets (including investments),

may be determined by the application of any of the methods mentioned in subparagraph (2) of this paragraph in relation to any such assets of the same class.

The method chosen must be one which appears to the directors to be appropriate in the circumstances of the company.

(2) Those methods are:

- (a) the method known as "first in, first out" (FIFO),
- (b) a weighted average price, and
- (c) any other method similar to any of the methods mentioned above.

(3) Where, in the case of any company –

- (a) the purchase price or production cost of assets falling to be included under any item shown in the company's balance sheet has been determined by the application of any method permitted by this paragraph, and
- (b) the amount shown in respect of that item differs materially from the relevant alternative amount given below in this paragraph,

the amount of that difference shall be disclosed in a note to the accounts.

(4) Subject to subparagraph (5) of this paragraph, for the purposes of subparagraph (3)(b) of this paragraph, the relevant alternative amount, in relation to any item shown in a company's balance sheet, is the amount which would have been shown in respect of that item if assets of any class included under that item at an amount determined by any method permitted by this paragraph had instead been included at their replacement cost as at the balance sheet date.

(5) The relevant alternative amount may be determined by reference to the most recent actual purchase price or production cost before the balance sheet date of assets of any class included under the item in question instead of by reference to their replacement cost as at that date, but only if the former appears to the directors of the company to constitute the more appropriate approach in the case of assets of that class.

(6) For the purpose of this paragraph, assets of any description shall be regarded as fungible if assets of that description are substantially indistinguishable one from another.

#### **Substitution of original stated amount where price or cost unknown**

16. Where there is no record of the purchase price or production cost of any asset of a company or of any price, expense or costs relevant for determining its purchase price or production cost in accordance with paragraph 15 of the Schedule to the 1986 Act or any such record cannot be obtained without unreasonable expense or delay, its purchase price or production cost shall be taken for the purposes of paragraphs 5 to 11 of the Schedule to the 1986 Act to be the value ascribed to it in the earliest available record of its value made on or after its acquisition or production by the company.

**(c) ALTERNATIVE RULES IN RELATION TO THE  
DRAWING UP OF COMPANIES ACTS INDIVIDUAL ACCOUNTS**

**(Part III, Schedule to 1986 Act)**

**Preliminary**

17. (1) The rules set out in Part II of the Schedule to the Companies (Amendment) Act 1986<sup>69</sup> are referred to in subsequent Parts of that Schedule as the historical cost accounting rules.

(2) Those rules, with the omission of paragraphs 4, 9 and 13 to 16, are referred to subsequently in this part of the Schedule to the 1986 Act as the depreciation rules; and references subsequently in the Schedule to the 1986 Act to the historical cost accounting rules do not include the depreciation rules as they apply by virtue of paragraph 20 of the Schedule to the 1986 Act.

18. Subject to paragraphs 20 to 22 of the Schedule to the 1986 Act, the amount to be included in respect of assets of any description mentioned in paragraph 19 of the Schedule may be determined on any basis so mentioned.

**Alternative accounting rules**

19. (1) Intangible fixed assets, other than goodwill, may be included at their current cost.

(2) Tangible fixed assets may be included at a market value determined as at the date of their last valuation or at their current cost.

(3) Financial fixed assets may be included either –

- (a) at a market value determined as at the date of their last valuation or
- (b) at a value determined on any basis which appears to the directors to be appropriate
- (c) in the circumstances of the company;

but in the latter case, particulars of the method of valuation adopted and of the reasons for adopting it shall be disclosed in a note to the accounts.

(4) Investments of any description falling to be included in the balance sheet under the heading “Investments” may be included at their current cost.

(5) Stocks may be included at their current cost.

**Application of the depreciation rules**

20. (1) Where the value of any asset of a company is determined on any basis mentioned in paragraph 19 of the Schedule to the 1986 Act, that value shall be, or (as the case may require) be the starting point for determining, the amount to be included in respect of that asset in the company's accounts, instead of its purchase price or production cost or any value previously so determined for that asset, and the depreciation rules shall apply accordingly in relation to any such asset with the substitution for any reference to its purchase price or production cost of a reference to the value most recently determined for that asset on any basis mentioned in the said paragraph 19.

(2) The amount of any provision for depreciation required in the case of any fixed asset by paragraph 6 or 7 of the Schedule to the 1986 Act as it applies by virtue of subparagraph (1) of this paragraph is referred to below in this paragraph as the adjusted amount; and the amount of any provision which would be required by that paragraph in the case of that asset according to the historical cost accounting rules is referred to as the historical cost amount.

(3) Where subparagraph (1) of this paragraph applied in the case of any fixed asset, the amount of any provision for depreciation in respect of that asset –

- (a) included in any item shown in the profit and loss account in respect of amounts written off assets of the description in question; or
- (b) taken into account in stating any item so shown which is required by note (11) of the notes on the profit and loss account formats set out in Part I of the Schedule to the 1986 Act to be stated after

<sup>69</sup> See this Appendix, section (b).

taking into account any necessary provisions for depreciation or diminution in value of assets included under it,

may be the historical cost amount instead of the adjusted amount:

Provided that if the amount of the provision for depreciation is the historical cost amount, the amount of any difference between the two shall be shown separately in the profit and loss account or in a note to the accounts.

#### **Additional information in case of departure from historical cost rules**

21. (1) This paragraph applies where the amounts to be included in respect of assets covered by any items shown in a company's accounts have been determined on any basis mentioned in paragraph 19 of the Schedule to the 1986 Act.

(2) The items affected and the basis of valuation adopted in determining the amounts of the assets in question in the case of each such item shall be disclosed in a note to the accounts.

(3) In the case of each balance sheet item affected (except stocks) either –

- (a) the comparable amounts determined according to the historical cost accounting rules, or
- (b) the differences between those amounts and the corresponding amounts actually shown in the balance sheet in respect of that item,

shall be shown separately in the balance sheet or in a note to the accounts.

(4) In subparagraph (3) of this paragraph, references in relation to any item to the comparable amounts determined as there mentioned are references to –

- (a) the aggregate amount which would be required to be shown in respect of that item if the amounts to be included in respect of all the assets covered by that item were determined according to the historical cost accounting rules, and
- (b) the aggregate amount of the cumulative provisions for depreciation or diminution in value which would be permitted or required in determining those amounts according to those rules.

#### **Revaluation reserve**

22. (1) With respect to any determination of the value of an asset of a company on any basis mentioned in paragraph 19 of the Schedule to the 1986 Act, the amount of any profit or loss arising from that determination (after allowing, where appropriate, for any provisions for depreciation or diminution in value made otherwise than by reference to the value so determined and any adjustments of any such provisions made in the light of that determination) shall be credited or (as the case may be) debited to a separate reserve (referred to in this paragraph as "the revaluation reserve").

(2) Subparagraph (1) of this paragraph applies in relation to any determination of the value of any asset of a company which takes place before the commencement of this paragraph as it applies to any such determination taking place on or after such commencement.

(3) The amount of the revaluation reserve shall be shown in the company's balance sheet under a separate sub-heading in the position given for the item "revaluation reserve" in Format 1 or 2 of the balance sheet set out in Part I of the Schedule to the 1986 Act.

(4) The revaluation reserve shall be reduced to the extent that the amounts standing to the credit of the reserve are, in the opinion of the directors of the company, no longer necessary for the purpose of the accounting policies adopted by the company, but any amount may only be transferred from the reserve to the profit and loss account if either –

- (a) the amount in question was previously charged to that account, or
- (b) it represents realised profit.

(5) The treatment for taxation purposes of amounts credited or debited to the revaluation reserve shall be disclosed in a note to the accounts.

#### **(d) VALUATION AT FAIR VALUE**

##### **(Part IIA, Schedule to 1986 Act (inserted by SI No 765 of 2004))**

22A (1) Subject to subparagraphs (2) to (4) of this paragraph, financial instruments including derivative financial instruments, may be accounted for by companies at fair value.

(2) Subparagraph (1) of this paragraph does not apply to financial instruments which constitute liabilities unless -

- (a) they are held as part of a trading portfolio, or
- (b) they are derivative financial statements.

(3) Subparagraph (1) of the paragraph does not apply to -

- (a) non-derivative financial instruments held to maturity,
- (b) loans and receivable originated by the company and not held for trading purposes,
- (c) interests in subsidiary undertakings, associated undertakings and joint ventures,
- (d) equity instruments issued by the company,
- (e) contracts for contingent consideration in a business combination, and
- (f) other financial instruments with such special characteristics that the instruments, according to what is generally accepted, should be accounted for differently from other financial instruments.

(4) In this paragraph -

“Regulations of 1992” means the EC (Companies: Group Accounts) Regulations 1992 (SI No. 201 of 1992);

“associated undertaking” has the same meaning as in Regulation 34 of the Regulations of 1992;

“joint venture” has the same meaning as in Regulation 32 of the Regulations of 1992;

“subsidiary undertaking” has the same meaning as in Regulation 4 of the Regulations of 1992.

#### *Methods for determining fair value*

22B. (1) The fair value of a financial instrument is its value determined in accordance with this paragraph.

(2) Where a reliable market can readily be identified for a financial instrument its fair value is to be determined by reference to its market value.

(3) Where a reliable market cannot be readily identified for a financial instrument but can be identified for its components or for a similar instrument its fair value is to be determined by reference to the market value of its components or of a similar instrument.

(4) Where neither subparagraph (2) or (3) of this paragraph apply, the fair value of the financial instrument is to be the value resulting from generally accepted valuation models and techniques.

(5) Valuation models and techniques used for the purpose of subparagraph (4) of this paragraph shall ensure a reasonable approximation to the market value.

(6) Financial instruments that cannot be measured reliably by any of the methods described in paragraphs (1) to (5) of this paragraph shall be measured in accordance with Parts II or III of this Schedule.

#### *Hedged items*

22C. A company may, in respect of any assets and liabilities which qualify as hedged items under a fair value hedge accounting system, or identified portions of those assets and liabilities, value those assets and liabilities at the amount required under that system.

#### *Accounting for changes in fair value of financial instruments*

22D. (1) This paragraph applies where the fair value at which the financial instrument is included in accordance with paragraph 22A or 22C of this Schedule is different from the value at which it was last included in accordance with that paragraph.

(2) Notwithstanding section 5(c) of the 1986 Act, and subject to subparagraphs (3) and (4) of the paragraph, the amount of the difference in the value shall be included in the profit and loss account.

(3) Where

- (a) the financial instrument accounted for a hedging instrument under a system of hedge accounting that allows some or all of the difference in value not to be shown in the profit and loss account, or
  - (b) the difference in value relates to an exchange difference arising on a monetary item that forms part of a company's net investment in a foreign entity,
- the difference in value shall be credited to (or debited from as the case may be) a separate reserve to be known as the "fair value reserve".

(4) Where the instrument accounted for -

- (a) is available for sale financial asset, and
  - (b) is not a derivative financial instrument,
- the difference in value may be credited to (or debited from as the case may be) the fair value reserve.

#### *The fair value reserve*

22E. (1) An amount may be transferred -

- (a) from the fair value reserve to the profit and loss account if the amount represents realised profit, or
- (b) to or from the fair value reserve in respect of taxation relating to any amount credited or debited to the reserve.

(2) The fair value reserve shall be adjusted when amounts therein are no longer necessary for the purposes of paragraph 22D (3) or (4) of this Schedule.

(3) the fair value reserve shall not be reduced except as provided for in this paragraph.

(4) The treatment for taxation purposes of amounts credited or debited to the fair value reserve shall be disclosed in a note to the accounts.

#### **(e) NOTES TO THE ACCOUNTS REQUIRED IN CASE OF A "SMALL COMPANY" PREPARING COMPANIES ACTS INDIVIDUAL ACCOUNTS WITHIN THE MEANING OF SECTION 12 COMPANIES (AMENDMENT) ACT 1986 (Part IV, Schedule to 1986 Act, as amended by SI No 765 of 2004 EC (Fair Value Accounting) Regulations 2004)**

**NOTE:** It should be noted that section 12 of the 1986 Act does not relieve a small company from notes disclosures that are required by legislation other than the Companies (Amendment) Act 1986. For instance, loans made to directors of the company<sup>70</sup> are required to be disclosed by a small company by way of notes to its accounts. Details of shareholdings on the company held by its directors at the end of the financial year are required to be disclosed in respect of a small company in the directors' report or the notes to the company's accounts in respect of that financial year.<sup>71</sup>

#### **Preliminary**

23. Any information required in the case of any company by the following provisions shall (if not given in the company's accounts) be given by way of a note to those accounts. Notes to a company's accounts may be contained in the accounts or in a separate document annexed to the accounts.

24. The accounting policies adopted by the company in determining the amounts to be included in respect of items shown in the balance sheet and in determining the profit or loss of the company shall be stated (including such policies with respect to the depreciation and diminution in value of assets).

#### **Share capital and debentures**

26. (1) The following information shall be given with respect to the company's share capital –

- (a) the authorised share capital, and

<sup>70</sup> Sections 41 and 42 Companies Act 1990

<sup>71</sup> Section 63 Companies Act 1990



(b) where shares of more than one class have been allotted, the number and aggregate nominal value of shares of each class allotted.

(2) In the case of any part of the allotted share capital that consists of redeemable shares, the following information shall be given –

- (a) the earliest and latest dates on which the company has power to redeem those shares,
- (b) whether those shares must be redeemed in any event or are liable to be redeemed at the option of the company, and
- (c) whether any (and, if so, what) premium is payable on redemption.

27. If the company has allotted any shares during the financial year to which the accounts relate, the following information shall be given –

- (a) the reason for making the allotment,
- (b) the classes of shares allotted, and
- (c) in respect of each class of shares, the number allotted, their aggregate nominal value and the consideration received by the company for the allotment.

31B. Where the valuation of financial instruments at fair value has not been applied, for each class of derivative financial instrument there shall be stated -

- (a) The fair value of the instruments in that class, if such a value can be determined in accordance with paragraph 22B (4) of Schedule IIIA to the Act of 1986 (inserted by Regulation 3(c)(ii) of the EC (Fair Value Accounting) Regulations 2004 (SI No 765 of 2004);
- (b) For each category of financial instrument, the fair value of the financial instruments in that category and the amounts -
  - (i) included in the profit and loss account, and
  - (ii) credited to or debited from the fair value reserve, in respect of instruments in that category,
- (c) For each case of derivative financial instrument, the extent and nature of the instruments, including significant terms and conditions that may affect the amount, timing and certainty of cash flows, and
- (d) A table showing movements in the fair value reserve during the financial year.

31C. Where valuation of financial instruments at fair value has not been applied, for each class of derivative financial instrument there shall be stated -

- (a) the fair value of the instruments in that class, if such a value can be determined in accordance with paragraph 22B of Schedule IIIA to the Act of 1986 (inserted by Regulation 3(c)(ii) of the EC (Fair Value Accounting) Regulations 2004 (SI No 765 of 2004)), and
- (d) the extent and nature of the instruments.

### **Provision for taxation**

33. The amount of any provision for taxation other than deferred taxation shall be stated.

### **Details of indebtedness**

34. (1) In respect of each item shown under “creditors” in the company’s balance sheet there shall be stated –

- (a) the aggregate amount of any debts included under that item which are payable or repayable otherwise than by instalment and fall due for payment or repayment after the end of the period of five years beginning with the day next following the end of the financial year,
- (b) the aggregate amount of any debts so included which are payable or repayable by instalments any of which fall due for payment after the end of that period,
- (c) the aggregate amount of any debts included under that item in respect of which any security has been given, and
- (d) an indication of the nature of the securities to be given,

and, in the case of debts within clause (b) of this subparagraph, the aggregate amount of instalments

falling due after the end of that period shall also be disclosed for each such item.

(2) References in subparagraph (1) of this paragraph to an item shown under “creditors” in the company’s balance sheet include references, where amounts falling due to creditors within one year and after more than one year are distinguished in the balance sheet –

- (a) in a case within subparagraph (1)(a) of this paragraph, to an item shown under the latter of those categories, and
- (b) in a case within subparagraph (1)(d) of this paragraph, to an item shown under either of those categories,

and references to items shown under “creditors” include references to items which would, but for section 4(6)(b) of the 1986 Act, be shown under that heading.

### **General**

44. (1) Where sums originally denominated in foreign currencies have been brought into account under any items shown in the balance sheet or profit and loss account, the basis on which those sums have been translated into Irish currency (or with effect from 1/1/2002, euro currency) shall be stated.

(2) In respect of every balance sheet or profit and loss account item which would, but for its inclusion in a note to the accounts, be shown in the balance sheet or profit and loss account format set out in Part I of the Schedule to the Companies (Amendment) Act, 1986 and chosen pursuant to section 4 of the 1986 Act, there shall also be shown in a note to the accounts the corresponding amount for the financial year immediately preceding that to which the accounts relate and where the corresponding amount is not comparable by reason of –

- (a) a change in accounting policy in the current financial year, or
- (b) a fundamental error in the accounts of an earlier financial year,

it shall be adjusted and particulars of the adjustment and the reasons for it shall be given.

## APPENDIX 3

### INDIVIDUALS AND PROFESSIONAL ACCOUNTANCY BODIES WHOSE MEMBERS ARE RECOGNISED UNDER THE COMPANIES ACTS 1963-2006 TO AUDIT COMPANY ACCOUNTS

You can conduct a search of the register of auditors at [www.cro.ie](http://www.cro.ie)

#### (1) ACCOUNTANCY BODIES

Institute of Chartered Accountants of Scotland (ICAS)

Institute of Chartered Accountants in England and Wales (ICAEW)

Institute of Certified Public Accountants in Ireland (ICPAI)

The Association of Chartered Certified Accountants (ACCA)

Institute of Chartered Accountants in Ireland (ICAI)

Institute of Incorporated Public Accountants (IIPA)

#### (2) INDIVIDUALS

Name	Address
Sean Ardagh	Ardagh Horan Chartered Accountants 168 Walkinstown Road Dublin 12
Denis Christopher Breen	Breen & Co No 1 Maritana Gate Canada Street Waterford
John Browne	Leader House Dublin Road Longford
John F Byrne	Byrne & Co Grange Bective Navan Co. Meath
Mary Desmond Collins	Red House Hill Patrickswell Co. Limerick
St John J Costello	Prospect House Monaleen Road Castletroy Co. Limerick
Stephen Cullinane	Grealy & Co Galway Retail Park Headford Road Galway
Gerard Joseph D'Arcy	The Maples Drum Athlone Co. Roscommon
Cormac Gerard Duffy	44 Dominick Street Galway
John Fahey	60 O'Connell Street Clonmel Co. Tipperary

<b>Name</b>	<b>Address</b>
Patrick D Finnegan	339 Meadowbrook Kilcoole Co. Wicklow
Charles J Flynn	Flynn Bond & Co Well Road Rathoath Co. Meath
Patrick David Glynn	Windemere Glendine Kilkenny
John Hardiman	J P Duggan & Co The Manse Northgate Street Athlone Co. Westmeath
Leslie Vincent Hogan	Monaleen Road Castletroy Limerick
John P Keenan	John P Keenan & Co Accountants & Auditors 25 St. Catherine's Park Glenageary Dun Laoghaire Co. Dublin
Michael Bernard Keogh	49 Killiney Towers Killiney Co. Dublin
Robert McDonald	McDonald Walsh & Co Auditors & Accountants ACC House Shop Street Tuam Co. Galway.
Brian J Martin	Brian J Martin & Co 14 Mitchel House Appian Way Dublin 6
J A Mullins	12 Doneen Road Woodview Limerick City
E P Murphy	3 Ballymace Green Templeogue Dublin 14
Patrick Joseph Murphy	P J Murphy & Co Public Auditors & Accountants "Cummeen" Strandhill Road Sligo
Thomas O'Brien	"Dunkerron" Leoville Dunmore Road Waterford
Sean M O'Carroll	O'Carroll & Co Accountants & Auditors 53 Saran Wood Killarney Road Bray Co Wicklow
Vincent O'Connor	12 Brookville Gardens Clareview Limerick

<b>Name</b>	<b>Address</b>
Joseph Pattison	1 Jacob Street Kilkenny
Gerard Reid	R L Reid & Co Auditors & Accountants 94 Monkstown Avenue Monkstown Co. Dublin
Michael J Roche	51 Corbawn Drive Shankill Co. Dublin
Patrick J Rocks	Rocks & Co 9/10 Park Street Monaghan
Michael Sheridan	3 Tramore Heights Tramore Co. Waterford
Lionel R Steen	27 High Street Castlecomer Co. Kilkenny
Edward Thornley	J J Griffin & Co. Auditors & Accountants 100 Strand Road Sandymount Dublin 4

## APPENDIX 4

### CRO INFORMATION LEAFLETS

<b>Leaflet No.</b>	<b>Leaflet Subject Matter</b>
1	Company Incorporation
2	Six Things That Every Company Director Should Know About Company Registration
4	CRO Fees
5	Registration Of Foreign Companies In Ireland
5a	Legalisation Of Foreign Documents
6	Limited Partnership Registration
7	Disclosure And Publication Requirements In Relation To Companies And Business Names
8	Company Change Of Name
9	Guarantee Company Without Share Capital – Accounts
10	Audit Exemption For Certain Small Private Companies Preparing Companies Acts Individual Accounts
11	Restoration Of A Company To The Register
12	Single-Member Company
13	Euro Conversion Of Share Capital
14	Business Name Registration
15	Statutory Electronic Filing Agent
16	The Company Secretary
17	Requirement To Have An Irish-Resident Director
18	Notification By Director/Secretary Of Resignation
20	Requirements In Relation To Statutory Declarations
21	Grounds For Returning Documents To Presenters
22	Filing An Annual Return In The CRO
24	Exemption From Use Of “Limited”/“Teoranta” As Part Of Company Name
25	Section 24 Licence Exempting Use Of “Limited”/“Teoranta” As Part Of Company Name



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AN OIFIG UM CHLÁRÚ CUIDEACHTAÍ

**Oifig Poiblí:** 14 Cearnóg Pharnell, Baile Átha Cliath 1  
**Fiosruithe:** Bóthar Uí Bhriain, Ceatharlach

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