HMRC internal manual

Corporate Intangibles Research and Development Manual

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CIRD99300 - R&D tax relief: accountancy: revised accounts

The guidance in this section refers to section 10 of FRS102 “Accounting Policies, Estimates and Errors”. Other accounting standards that deal with accounting policy changes and correction of errors are FRS3, FRS18 and IAS8. The latter are only referred to where the requirements are different.

Accounting policies should be applied consistently and should only be changed if required by an FRS or if the change results in the financial statements providing more reliable and relevant information about the effects of transactions.

Prior period errors are omissions from and misstatements in an entity's financial statements for one or more prior periods.

Changes in accounting policy should be accounted for retrospectively, or in accordance with any transitional arrangements set out in the new standard being applied. Where a change in accounting policy is applied retrospectively, the entity should apply the new accounting policy to comparative information for prior periods to the earliest date for which it is practicable, as if the new accounting policy had always been applied. (FRS102 s10.12)

Material prior period errors should be corrected retrospectively in the first financial statements authorised for issue after discovery of the error. (FRS102 s10.21). Information is material if its omission or misstatement, individually or collectively, could influence the economic decisions of users of the financial statements. (FRS102 s2.6).

Under FRS3, fundamental errors (those of such significance as to destroy the true and fair view and hence the validity of those financial statements) should be accounted for retrospectively by prior period adjustment.

Section 454 Companies Act 2006 allows a voluntary revision of the accounts filed at Companies House if it appears to the directors of a company that the annual accounts of the company, did not comply with the requirements of the Companies Act, which includes the requirement to accord with GAAP.

If revised accounts have been filed with Companies House HMRC should normally accept the revised accounts, providing they are submitted on or before the last day on which an amendment of the company's tax return for the accounting period could be made under paragraph 15 of Schedule 18 to FA 1998.

HMRC officers with questions concerning accountancy should consult their local Advisory Accountant.

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