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Micro vs Small Companies: What is the difference in reporting?

Not all small businesses report their financial results in the same way. Depending on their size, companies may be able to choose between the micro-entities regime and the small companies regime - each offering a different balance between simplicity and the level of information disclosed in the financial statements.

Most UK companies prepare their accounts under Financial Reporting Standard 102 (FRS 102). However, the smallest entities may instead apply the micro-entities regime under Financial Reporting Standard 105 (FRS 105), which is designed to significantly reduce the amount of detail and disclosure required.

As additional disclosure obligations apply for accounting periods beginning on or after 1 January 2026, businesses may wish to consider whether the micro-entities regime offers a more proportionate alternative to small company reporting.

Size thresholds

The choice of reporting framework is important, as it directly affects the level of detail included in the financial statements.

Although the micro-entities regime offers a reduced disclosure framework, it may not provide sufficient information for all users, such as lenders or other external stakeholders. Entities close to the size thresholds should also consider the potential impact of moving between regimes in future periods.

From 6 April 2025, company size thresholds increased, meaning more businesses may now qualify as either small or micro.

+ Micro entities increased to a turnover of not more than £1 million (previously £632,000), total assets of not more than £500,000 (previously £316,000), and an average of not more than 10 employees.
+ Small entities increased to a turnover of not more than £15 million (previously £10.2 million), total assets of not more than £7.5 million (previously £5.1 million), and an average of not more than 50 employees.

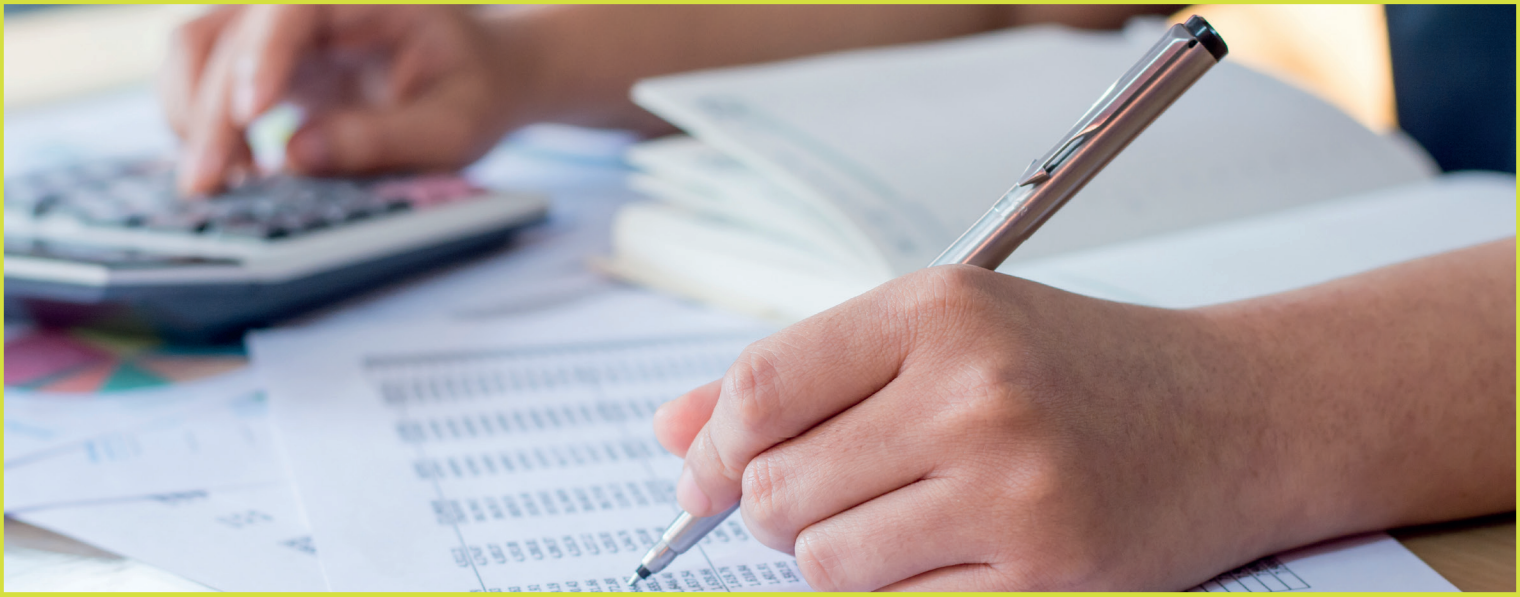
Where the accounting period is not 12 months, the above limits should be pro-rated. For a company to qualify as either small or micro, it must meet at least two of the three criteria (turnover, balance sheet total and average number of employees) for two consecutive years.

FRS 102 Periodic Review 2024 amendments

Changes to FRS 102 Section 1A, effective from 1 January 2026, increase disclosure requirements for small entities - including additional reporting on transactions with directors and connected parties, along with amendments relating to areas such as leases, revenue recognition, going concern, and taxation - widening the gap between micro and small company reporting.

Notably, while micro-entities continue to account for leases on a simplified basis, small entities applying FRS 102 will generally be required to recognise most leases on the balance sheet, along with additional disclosures across key areas.

For more information, request or download our **'Disclosure requirements for small entities in the UK'** factsheet.



Micro vs small companies: A comparison of accounting and disclosure requirements

Outlined in the table below are some of the key differences between FRS 102 and FRS 105 to help you decide on the right accounting standard for your company. The detail includes changes introduced by the Periodic Review 2024 amendments, which are mostly effective for accounting periods beginning on or after 1 January 2026.

	Micro (FRS 105)	Small (FRS 102 Section 1A)
'Related parties' - transactions with directors, owners and connected parties	Very limited disclosure, mainly director-related balances. Overdrawn directors' loan accounts only, disclosed within directors' advances, credits and guarantees.	Full disclosure of relationships and transactions with related parties. Dividends and directors' remuneration are within the scope of related party disclosures and may therefore be publicly available on filing at Companies House. As dividend information is disclosed alongside the balance sheet, users may be able to infer a company's profit after tax from the published accounts. Related party disclosures can include transactions such as dividends, loans, remuneration and intercompany balances involving (i) persons with control or joint control over the entity, (ii) persons with significant influence over the entity, and (iii) key management personnel and their close family members.
Current tax	Current tax is recognised based on the amount payable or recoverable for the period, with minimal disclosure requirements.	More detailed tax accounting and disclosures, including separate presentation of tax balances and prior year adjustments where applicable.
Deferred tax	Is not recognised. No assets or liabilities are recorded for future tax timing differences. This means tax is based only on amounts due in the current period.	Deferred tax is generally recognised. It applies to temporary timing differences between accounting profit and taxable profit.
Leases	Most lease payments are treated as an expense each year and recorded in the profit and loss account. However, where a lease is effectively a purchase arrangement, the related asset and liability must be recognised on the balance sheet.	Almost all leases must be shown on the balance sheet, with the leased asset and future payment obligation recognised. Only short-term leases (under 12 months) and low-value assets are exempt. The accounting calculations are complex and require significant judgement, particularly in determining lease terms and appropriate interest rates.

Revenue recognition	Revenue must follow a new five-step approach based on identifying the contract, what is being provided, the amount payable, and recognising income when goods or services are delivered to the customer – although disclosure requirements remain limited.	The same five-step model applies, but with more extensive disclosure requirements - specifically relating to performance obligations in contracts with customers.
Going concern	Disclosure only required when there are material uncertainties about the company's ability to continue as a going concern - whether the business can continue trading.	Disclosure required of the fact that the small entity is considered to be a going concern, in addition to disclosing when the going concern status is not considered to be applicable.
Fixed assets	Fixed assets are kept in the accounts at their original purchase cost, less depreciation, even if their market value changes over time.	Certain fixed assets can be updated in the accounts to reflect their current market value.
Investment properties	Are held at cost less depreciation and impairment – meaning properties are not regularly revalued to current market value in the financial statements. An asset is impaired when its recoverable value has fallen below its carrying value (the amount recorded in the financial statements).	Measured at fair value through profit and loss, unless it cannot be measured reliably without undue cost and effort, in which case it is held at cost less impairment.
Fixed asset investments	Held at cost less impairment	As for investment properties
Recognition of intangible assets in a business combination (i.e. the purchase of another business)	No separate recognition of intangible assets in the accounts (something that has value but no physical form, for example goodwill or a brand name) acquired in a trade and assets acquisition.	When a business is bought, identifiable items like brand names or customer lists can be shown separately in the accounts rather than being included in the overall purchase price.
Borrowing costs (interest on loans etc.)	Interest and other borrowing costs must always be treated as an expense in the profit and loss account when they arise. They cannot be added to the cost of an asset.	In some cases, interest and borrowing costs can be added to the cost of an asset (for example, a building being constructed), rather than being treated as an immediate expense.
Non-market rate loans (e.g. interest-free or low-interest loans)	Recorded at the amount originally received or paid.	Measured in a more detailed way that spreads the cost of the loan over its life (reflecting a notional interest rate), so the accounts reflect the true economic cost over time. Some simpler exemptions may apply to certain director/family loans.

Derivatives (financial agreements whose value depends on changes in market prices such as currencies or shares)	Generally held at cost (often zero).	Measured at “fair value,” meaning their value is updated to reflect what they are worth at the reporting date, and this can go up or down over time.
Share-based payments	No accounting entries are made until shares are actually issued or exercised.	Full recognition required - must be recognised over the period the benefit is earned.
Government grants	Recorded so that the grant income is matched against the related costs as they are incurred.	Recognised either over time in line with the related costs, or only when specific conditions attached to the grant have been met.
Defined benefit schemes	Pension contributions are recognised as paid and a liability is only accounted for at the year end where there is an agreement in place to fund any deficit.	The full pension obligation must be accounted for in the balance sheet.
Supporting notes	Minimal disclosures at the bottom of the balance sheet, comprising directors' advances, credits and guarantees, average employee numbers and financial commitments, guarantees and contingencies not on the balance sheet.	Additional disclosures in relation to accounting policies, fixed assets, debtors and creditors and transactions with directors, owners and connected parties
Profit and loss format	Simple headings with minimal breakdown: turnover, other income, cost of raw materials and consumables, staff costs, depreciation and other amounts written off assets, other charges, tax and profit.	More detailed profit and loss with additional subtotals. The comprehensive format includes gross profit, operating profit, split of admin and establishment expenses, interest receivable, interest payable and profit before tax.
Companies House filing requirements (changes effective from April 2028)	Companies will be required to file both a balance sheet and profit and loss account with Companies House. However, micro-entities will be able to opt out of having the profit and loss account published on the public register.	Small companies will be required to file a profit and loss account with Companies House, together with the other required elements of the statutory accounts. As with micro-entities, there will be an option to opt out of public disclosure of the profit and loss account. Abridged accounts will also be withdrawn.

Key differences to consider

The choice between the micro-entities regime and the small companies regime ultimately reflects a balance between reduced reporting requirements and the level of information disclosed. This is not solely about minimising reporting or public disclosures, but also about ensuring that sufficient financial information is available to support future needs.

Micro-entity accounts involve minimal disclosures on public record and a focus on historic cost. In contrast, small company accounts under FRS 102, from 1 January 2026, require more comprehensive reporting, including most leases recognised on the balance sheet, as well as expanded disclosures in areas such as dividends, loans, and remuneration.

Disclosure of the dividends note increases the level of publicly available financial information, which, when considered alongside the balance sheet, provides additional insight into the company's financial position and performance.

While the micro-entities regime may be suitable for very small businesses with straightforward operations, the small companies regime provides more detailed and informative financial reporting, which may be beneficial for lenders and other stakeholders.

Businesses should consider not only eligibility, but also the level of insight required from their financial statements and their future growth plans when deciding which regime to apply.

How M+A Partners can help

Choosing between the micro-entities and small companies regime is not always straightforward, particularly as reporting requirements continue to evolve. We can help you assess which framework is most appropriate for your company, taking into account your size, future growth plans, and the needs of lenders and other stakeholders.

We support clients in preparing financial statements under both regimes, ensuring compliance with the latest requirements, including the FRS 102 Periodic Review 2024 amendments. Whether you are transitioning between regimes or need guidance on the increased disclosure requirements for small entities, our team of experts can help you navigate the changes with confidence.

For further information or to discuss with one of our experts, please get in touch using the details below.

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