Published Accounts – Theory

A **Directors Report** must contain the following:

- The amount to be transferred to Reserves.
- Significant changes in fixed assets.
- Details of own shares purchased.
- Any likely future developments in the business.

- A report of any changes in the nature of the company's business during the year.
- A fair review of the development of the business of the company during the year and of the position at the end of the year.
- The principal activities of the company and any changes therein.
- Details of any important events affecting the company since the end of the year.
- An indication of activities in the field of research and development.
- A list of the company's subsidiaries and affiliates.
- Evaluation of the company's compliance with its safety statement.
- Details of directors' share holdings and dealings during the year.

Exceptional Item: This is a material item of significant size. It is a profit or loss that must be shown separately in the profit and loss account because of size.

Example: Profit or loss on sale of fixed asset or large bad debt.

Why do financial statements have to be regulated?

Regulation is important for the following reasons:

1. To ensure that financial statements are consistent from year to year.

2. To ensure that financial statements can be easily compared with other businesses.

3. To ensure that financial statements comply with national and international law.

4. To ensure that the required accounting information is available to external users (e.g. banks).

5. Good regulation makes fraud less likely and builds trust among the investing public.

How does the European Union regulate the presentation of accounts?

The European Union influences regulation by issuing directives. Directives are instructions that are binding on member states. Member states are given a fixed period of time to implement the directive into national law. The purpose of directives is to harmonise accounting practice in member states. An example would be the fourth directive.

The bodies/institutions that regulate the production, content and presentation of company financial statements

The Government – Legislation

The European Union – Directives

Accounting Standards Board – FRS's and SSAP's

The Stock Exchange – Listing Rules

What is an Audit?

An audit is an examination of the financial statements of an enterprise by an appointed auditor. The Audit is conducted by an auditor who is independent. The auditor expresses an opinion and certifies whether the accounts give a true and fair view of the financial position of the business. The Companies Acts require the auditor to certify that the accounts give a true and fair view of the financial position of the business.

A Qualified Auditor's Report

A qualified auditor's report is when an auditor in his/her opinion is not satisfied or is unable to conclude that all or any of the following apply:

- The financial statements give a true and fair view of the state of affairs of the company at the end of the year.
- The financial statements are prepared in accordance with the Companies Acts. All the information necessary for the audit was available.
- The information given by the directors is consistent with the financial statements.
- The net assets are more than 50% of the called up capital.

The report will state the elements of the accounts that are unsatisfactory.