

Appendix 2f – Appendix of professional services supplied by SMB Professional Services Ltd

PREPARATION OF ACCOUNTS FOR A SOLE TRADER OR PARTNERSHIP (EXCLUDING LLPS) – ACCRUAL ACCOUNTING

The purpose of this Appendix is to set out the basis on which we act as your accountant in regard to the preparation of your annual accounts and your responsibilities. If we undertake bookkeeping services for you then this work will be covered in a separate appendix.

We will communicate with [name(s)] in relation to this assignment having agreed with you that they will represent you.

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This is a continuing engagement and this Appendix replaces our previous Letter of Engagement.

1. Your responsibilities

- 1.1 You are responsible for preparing accounts which are adequate to enable profits to be calculated such as to meet the requirements of current tax legislation and which provide sufficient and relevant information to enable the completion of a tax return.
- 1.2 In preparing the accounts, you need to:
 - select suitable accounting policies and then apply them consistently;
 - make judgements and estimates that are reasonable and prudent; and
 - prepare the accounts on the going concern basis unless it is inappropriate to presume the business will continue to trade.
- 1.3 You are responsible for keeping adequate accounting records that set out with reasonable accuracy at any time the business's financial position, and for ensuring that the accounts comply with the measurement principles of United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice (UK GAAP)).
- 1.4 You are also responsible for such internal control as you determine is necessary to enable the preparation of accounts that are free from material misstatement whether due to fraud or error.
- 1.5 You are responsible for determining whether, in respect of each financial period, the business does not require an audit, for example as a result of a term of the partnership agreement or the requirement of a bank covenant etc.
- 1.6 You are responsible for ensuring that the business's assets are safeguarded, and for establishing arrangements designed to deter fraudulent or other dishonest or irregular conduct, and detect any that occurs.
- 1.7 You are responsible for ensuring that the business complies with applicable law and regulations, and for establishing arrangements designed to prevent any non-compliance with law and regulations and to detect any that occur.

1.8 You have undertaken to make available to us, as and when required, all the business's accounting records and related financial information, including minutes of management meetings necessary for the compilation of the accounts. You will make full disclosure to us of all relevant information that we need to do our work.

2. Scope of our work

2.1 You have asked us to assist you in the preparation of the annual accounts. We will compile these accounts based on the accounting records maintained by you and the information and explanations given to us by you. We shall prepare draft annual accounts for your approval. We shall plan our work on the basis that no assurance report on the accounts is required. In carrying out our engagement we will make enquiries of management and undertake any procedures that we judge appropriate but are under no obligation to perform procedures that may be required for assurance engagements such as audits and other assurance assignments.

2.2 We have a professional duty to compile accounts, which conform to the measurement principals of generally accepted accounting principles. You have advised us that the accounts should be prepared under the measurement principals of FRS 102/FRS 105.

2.3 Although your accounts do not need to comply with company law you have advised us to follow Format 1 regarding the balance sheet, and [Format 1/Format 2] regarding the profit and loss account, albeit with appropriate modifications.

2.4 You have advised us to include in your accounts details of your accounting policies.

2.5 You have advised us that the business does not require an audit of its accounts. We will not carry out any work to determine whether this is correct, however, should our work indicate that it is not correct we will inform you of this.

2.6 Our work as the compilers of the accounts will not be an audit of the accounts in accordance with International Standards on Auditing (UK). Consequently, our work will not provide assurance that the accounting records or the accounts are free from material misstatement, whether caused by fraud, other irregularities or error.

2.7 We have a professional responsibility not to allow our name to be associated with accounts which may be misleading. Therefore, although we are not required to search for such matters, should we become aware, for any reason, that the accounts may be misleading, we will discuss the matter with you with a view to agreeing appropriate adjustments and/or additional disclosures that we consider appropriate. If an agreement cannot be reached and as a result we consider that the accounts are misleading, we will withdraw from the engagement.

2.8 We will advise you as to the adequacy of your records for preparation of the accounts and make recommendations for improvements, which we consider necessary.

2.9 As part of our normal procedures we may request you to provide written confirmation of any information or explanations given to us orally during the course of our work.

3. Form of the accountant's report

- 3.1 We shall report to the management, with any modifications that we consider may be necessary, that in accordance with this engagement and in order to assist you to fulfil your responsibilities, that we have compiled, without carrying out an audit or any other assurance service, the accounts from the accounting records of the business and from the information and explanations supplied to us. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the business and its management for our work or for this report.