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Explain why it's important that financial statements are properly regulated. (2016):

Regulation is important for the following reasons:

- To ensure that financial statements are consistent from year to year.
- To ensure that financial statements can be easily compared with other businesses.
- To ensure that financial statements comply with national and international law.
- To ensure that the required accounting information is available to external users (e.g. banks).
- Good regulation makes fraud less likely and builds trust among the investing public.

How does the European Union regulate the presentation of accounts. (2016):

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.

State how a company would deal with a contingent liability which is possible but unlikely. (2008):

When a Contingent Liability is possible but unlikely, it is not necessary to make provision in the accounts. However, a note should show the nature of the liability, an estimate of the amount and an opinion regarding the outcome.

What regulations must accountants observe when preparing financial statements for publication. (2008):

- Accountants must observe regulations laid down by:
- The Companies Acts
- The Financial Reporting council/Accounting Standards Board
- The Stock Exchange

What are the principal obligations of Limited Companies in relation to company legalisation?

- Prepare and publish an annual report.
- This report must include a P&L a/c, a balance sheet, explanatory notes, an Auditor’s report and a Director’s report.
- The report must be audited by an independent company of accountants.
- The report must be presented to the shareholders and debenture holders at the AGM.
- A copy of the report must be filed at the companies office with the registrar of companies.

What is an “exceptional item”. (2009):

- 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 a fixed asset or large bad debt.

Contingent Liability:

These are possible or probable liabilities or gains that have to either be provided for in the accounts or treated as notes in the accounts.

State (3) items of information which must be included in a Director’s report. (2009):

A Directors Report must contain the following:

- The amount to be transferred to Reserves.
- 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.
- Any likely future developments in the business.
- An indication of activities in the field of research and development.
- Significant changes in fixed assets.
- Details of own shares purchased.

- A list of the company’s subsidiaries and affiliates.
- Evaluation of the company’ s compliance with it’ s safety statement.
- Details of directors’ share holdings and dealings during the year.

Outline the responsibility of Directors:

The directors are appointed by the shareholders to manage the company. It is their responsibility to:

1. Keep proper accounting records.
2. Safeguard the company’s assets.
3. Prepare annual financial statements.
4. Select suitable accounting policies.
5. State whether applicable accounting standards have been followed.
6. Ensure that financial statements are signed by two directors.

What is an audit? (2006):

An audit is the independent examination of, and the expression of opinion on the financial statements of an enterprise by an appointed auditor.

The main objective of an audit is to enable the auditor, in keeping with the requirements of the Companies Acts, to report on the truth and fairness shown by:

• the balance sheet, the profit or loss shown by the profit and loss account and
• any other information required to be disclosed in the financial accounts.
The Companies Acts do not require the auditor to certify that the company records are correct or accurate but that the accounts give a *true and fair view* of the financial position of the business.

A qualified report: Is one which states that the financial statements do give a true and fair view of the company.

An unqualified report: Is one which states that the auditor is unsatisfied with some or all aspects of the financial statements.

A “True and Fair view”: means that the accounts must accurately reflect the trading activities over a specific period, and that the balance sheet gives the true picture of the state of affairs of the business at a particular point in time.

Items upon which an Auditor must express an opinion in their reports:

- That all information required by the Companies Acts and by Accounting standards is included.
- That all basic accounting concepts have been followed.
- That the accounts have been prepared in a manner that is consistent from period to period.
- That the accounts give a true and fair view of the financial position of the firm.

Regulatory Agencies. (2003):

1. The Government through Legislation.
2. The Accountancy Profession through SSAP’s and FRS’s.
3. The European Union through Directives.
4. The Stock Exchange through listing rules.