What are Year End Accounts?

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For private limited companies in the UK there are a number of important considerations in terms of annual statutory requirements that must be met. From a Companies House perspective, all companies are required to file an Annual Return and a set of Year End Accounts. It is vitally important that a company can submit these correctly, and at the correct time, if they are to avoid late filing penalties and punishments.

The annual accounts are a statutory requirement that is well regulated by certain standards and frameworks. The accounts are prepared on the basis of a financial year, as opposed to calendar year. They provide information on the financial health and position of the company, normally containing at least a profit and loss account and balance sheet. The former of these statements shows whether the company made a profit from its trade in the year, whilst the latter highlights the assets and liabilities held in the company.

The financial year of a company is set by the accounting reference period, which in-turn is set by the accounting reference date. The first accounting period can end from anywhere between 6 and 18 months after the companyâ€™s incorporation, though subsequent periods are 12 months from this date. The company is able to extend the reference period for which the Year End Accounts apply, though there are certain restrictions on when this can be amended. For example, the accounts cannot be overdue when the application to extend is made.

In addition to the profit and loss accounts and the balance sheet, the directorsâ€™ report is a further important component of the filing. The directorsâ€™ report simply provides a narrative summary of the information shown in the accounts, possibly explaining events that led to the figures shown throughout the financial year. The report may cover a number of different areas, depending on the companyâ€™s activity throughout the year. This includes directorsâ€™ details, donations, trading activities As with the figures in the accounts, the report must provide a â€œtrue and fairâ€• representation. Information that could mislead those using the report could see the directors liable.

Although the companyâ€™s annual return may be a relatively simple statutory requirement to complete, the annual accounts need to be treated with greater skill. Many who are new to the requirements and obligations that come with a limited company may find it beneficial to enlist the assistance of an accountant to complete their Year End Accounts. As previously stated, there is a great deal of regulation and accounting principles that need to be considered when producing the accounts. The incentive of filing the accounts correctly, first-time, is the avoidance of late-filing penalties. The current level of penalties for private limited companies stands at:

â€¢ Â£150 if the accounts are under one month late

â€¢ Â£375 if the accounts are 1-3 months late

â€¢ Â£750 if the accounts are 3-6 months late

â€¢ Â£1500 if the accounts are over 6 months late

In addition to being a statutory requirement, the annual accounts are an effective tool in your business planning and growth. Ensuring that they are completed accurately from the beginning is therefore vital for reasons beyond avoiding penalty charges.

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