CHARTERED ACCOUNTANTS,
TAX & BUSINESS ADVISERS

Lamont Pridmore

MANAGEMENT ACCOUNTS

The purpose of this schedule and the Standard Terms of Business is to set out the basis on which we are to act as accountants and advisors with regard to the preparation of your management accounts and to clarify our respective responsibilities in respect of that work.

1 Your responsibilities

1.1 Unless we have also agreed to carry out a bookkeeping service (see schedule **5.04**), we understand that you have agreed that your staff will be responsible for all the day-to-day accounting work, which includes:

(a) maintaining records of all receipts and payments of cash;

(b) reconciling cash book balances monthly/quarterly with the bank statements;

(c) posting and balance the purchase and sales ledgers; and

(d) extracting a detailed list of ledger balances.

1.2 You will also provide estimates of any stocks at the end of each period.

1.3 You agree to make your accounting records and related financial information available to us in line with the requests we make. You recognise that a failure to do so could have an impact on the price or the speed of our work.

1.4 Even if we have not directly requested it, you agree to disclose to us in full any information that is relevant to the management accounts.

1.5 You will approve and sign the management accounts thereby acknowledging responsibility for them, including providing us with all information and explanations necessary for their preparation.

1.6 We have a professional responsibility to not allow our name to be associated with accounts that we believe may be misleading. We are not required to search for such matters, but if we become aware that information in the management accounts may be misleading we will discuss this with you so that appropriate adjustments or disclosures can be made. Where the adjustments or disclosures we consider appropriate are not made and we consider that the accounts remain misleading, we will withdraw from the engagement. In these circumstances you agree that we have a right to invoice you for our time spent preparing and discussing the accounts with you as well as time spent on any other work that is not completed as part of our resignation.

1.7 The management accounts are prepared solely for the confidential use of yourselves and, if relevant, the third party named, and solely for the purpose as stated. They may not be relied upon by yourselves or, if relevant, the third party for any other purpose whatsoever. The management accounts must not be recited or referred to in whole or in part in any other document. The management accounts must not be made available, copied or recited to any other party without our express written permission. We, your accountants, neither owes nor accepts any duty to any other party and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by their reliance on the management accounts.

1.8 You are responsible for the following general business and financial matters:

(a) ensuring that, to the best of your knowledge and belief, financial information used by your business or for the management accounts is accurate and complete;

(b) ensuring that the activities of your business are being conducted honestly;

(c) safeguarding the assets of your business and taking reasonable steps for the prevention and detection of fraud; and

(d) ensuring your business complies with the laws and regulations that apply to its activities, as well as preventing non-compliance and detecting any that occurs.

1.9 You are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the company/LLP and for ensuring that the financial statements comply with the *Companies Act* 2006 and applicable accounting standards. You are also responsible for such internal control as you determine is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

1.10 You are responsible for safeguarding the assets of the company/LLP and hence for taking reasonable steps to ensure the entity's activities are conducted honestly for the prevention and detection of fraud and other irregularities.

1.11 You are responsible for ensuring that the company/LLP complies with laws and regulations applicable to its activities, and for establishing arrangements designed to prevent any non-compliance with laws and regulations and to detect any that occur.

2 Our responsibilities as accountants

2.1 We understand that you require us to prepare the management accounts of your business for the period ended as stated, and for subsequent periods.

2.2 This involves us in completing the writing up of your books and records, insofar as they are incomplete when presented to us, from the information and explanations supplied to us and preparing draft accounts therefrom for your approval.

2.3 You understand that we will not be carrying out an audit and accordingly will neither verify the assets and liabilities of the business, nor the items of expenditure and income. To carry out an audit would require additional work to comply with International Standards on Auditing (UK) so that we could report on the truth and fairness of the financial statements.

2.4 We would emphasise that we cannot undertake to discover any shortcomings in your systems or any irregularities on the part of your employees or others, although we will advise you of any such circumstances that we encounter in preparing your accounts.

2.5 The accounts are not suitable for submission to HMRC with your tax return, or, if relevant, to Companies House.

2.6 To ensure that anyone reading the management accounts is aware of the scope of our work and the fact that we have not carried out an audit, we will annex to the projections a short report explaining these facts. If you wish, or are asked, to provide a copy of the management accounts to a third party you must seek our consent before you do this. You are not entitled to disclose our work to a third party without our express permission. We may grant consent subject to certain conditions; however, in every situation where we grant consent, then this report must remain attached to any copy shown to the third party.