

How to Prepare Your Company Accounts

If you're a limited company, you must prepare annual accounts in line with UK law. However, it can seem like an unnerving job.

Essentially, statutory accounts are:

- Yearly financial records prepared towards the end of your business' financial year
- Sent to Companies House, HMRC, and stakeholders as part of your tax return

Every public and private limited company must file its accounts annually. However, this doesn't apply to small businesses, as they can submit simpler accounts than larger businesses.

For more information on how to prepare your accounts, it's best to read the [government's company guidance](#) or get in touch with a reputable accountant such as [Howlader & Co Chartered Accountants](#).



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How to Prepare Statutory Accounts

Each business is required by law to send a copy of their accounts for each financial year to each member of the business and file its accounts at Companies House. Bear in mind that your accounts are available to the public once filed.

For a private organisation, it usually takes nine months to deliver accounts to Companies House from your accounting reference date (ARD). If you're delayed in filing your report,

you can incur a penalty charge, which varies from £150 (if it's filed less than one month late) to £1,500 (if it's filed over six months late).

Your initial ARD will be one year later from the date you launched your business – on the final date of the month your company was established. The ARD will take place on this exact date each year. For instance, if you established your business on 6th June 2020, your first ARD will take place on 31st June 2021.

Statutory accounts involve:

- A 'balance sheet' showing the amount of everything your business owns, anything outstanding, and anything owed to it
- A 'profit and loss account' displaying your running costs and sales, together with any revenue or shortfalls made across the financial year
- Account notes

Additionally, you may need to incorporate an auditor's report and director's report, but this depends on how large or small your company is.

Preparing Accounts for a Small Company

If your business is classed by the government as a 'micro-entity' or 'small company', you may not need to be audited. You'll be allowed to submit simpler accounts to Companies House.

Your company is classed as a 'micro-entity' if:

- It has a revenue of £632,000 or under
- Its balance sheet shows £316,000 or under
- It has 10 members of staff or fewer

Your business is 'small' if:

- It has a revenue of £10.2 million or under
- Its balance sheet shows £5.1 million or under
- It has 50 members of staff or fewer

Micro-entities and small companies can make use of an exemption that ensures their accounts aren't audited. They can also decide whether to submit the profit and loss account and the director's report.

If you're a micro-entity, you're able to prepare simpler accounts in line with statutory minimum requirements. You can also just submit your balance sheet to Companies House.

Preparing End of Year Accounts

It's easy to prepare and file your annual accounts thanks to the broad choice of accounting software available.

Micro-entities and small companies can use the [Company Accounts and Tax Online \(CATO\) Service](#) which enables you to send your accounts information to HMRC and Companies House simultaneously.

Alternatively, you can choose to complete your company accounts on paper and submit them in the post to Companies House.

Preparing Limited Company Accounts

Most limited companies hire the help of a professional accountant to prepare and file their annual accounts. It's difficult to manage everything yourself if you're a business owner, and the last thing you'll need is a serious penalty if you make a mistake.

However, you can choose to file and prepare your annual accounts for your limited company yourself.

A professional accountant is knowledgeable in financial matters, so it's important to hire an expert so there's no

stress involved when it comes to filing your accounts with Companies House and HMRC.

They'll make sure you avoid any fines and don't miss any of the legal requirements. That said, even if you hire an accountant, you as the director are legally in charge of ensuring accounts are correct.

It's important to understand your company's accounting responsibilities regardless of how you choose to file your accounts. This makes sure your company conforms to UK law and that you're achieving your accountabilities and duties as a director in the right way.