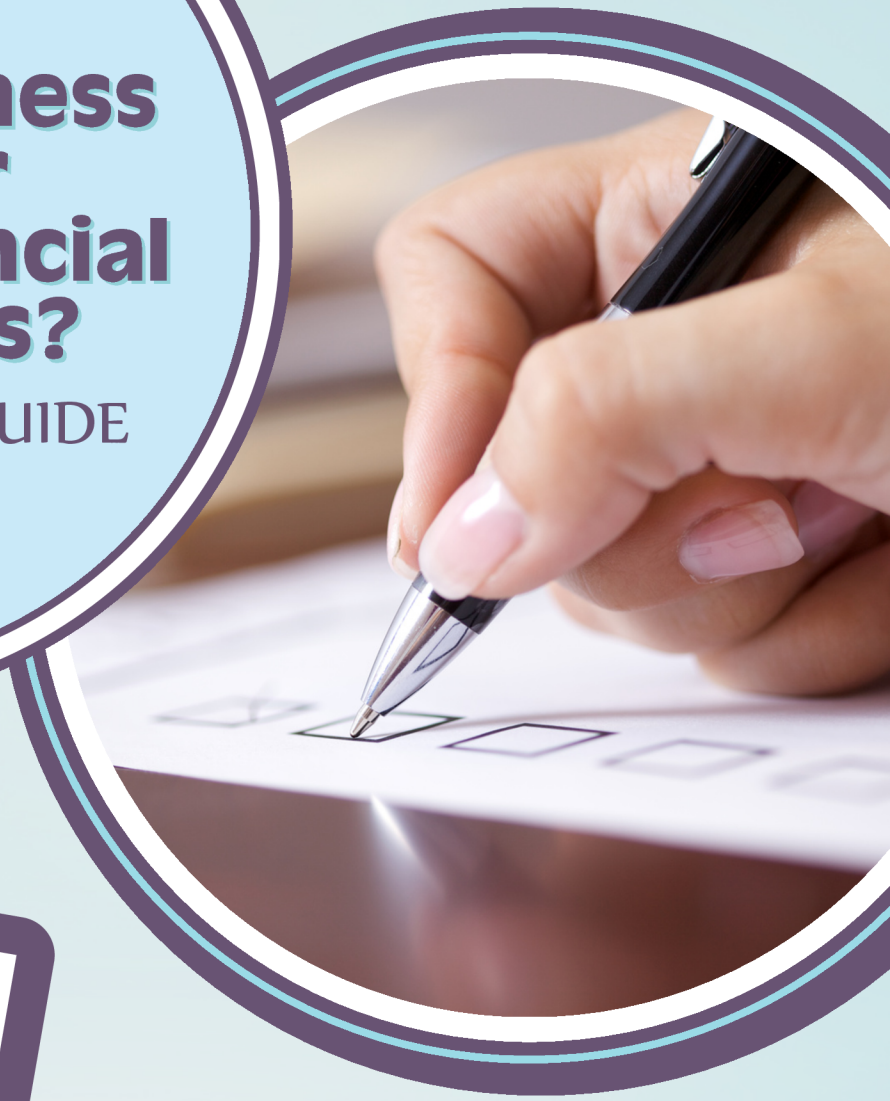


R&Smith

Professional Services

Is Your Business ready for Annual Financial Statements?

A QUICK-START GUIDE



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1. Understand the Legal Requirements:

- Is your business legally required to prepare AFS?
 - Companies, close corporations, and certain partnerships are required by the Companies Act to prepare annual financial statements.
 - Small businesses with turnover below R1 million may be exempt from certain detailed reporting requirements, but they must still maintain financial records. (Non-PIE, small entities may not need full audits or reviews).
 - Public Interest Entities (PIEs) must prepare AFS according to stringent standards.



2. Know Your Public Interest Score:

- What is a PI Score?
 - The Public Interest Score (PI score) is used to determine if your business qualifies as a PIE and is subject to the requirements of the Companies Act.
- Categories of PI Score:
 - Less than 100: Your business is not a PIE, and you may not be subject to mandatory audit requirements, though your business must still prepare financial statements.
 - Between 100 and 350: Your business is considered a PIE and may be required to have an independent review or an audit based on its size.
 - Over 350: Your business is a PIE and is typically subject to mandatory audit requirements.

KEY ACTIONS

CALCULATE YOUR PI SCORE USING THIS FORMULA BASED ON YOUR COMPANY'S TURNOVER, NUMBER OF EMPLOYEES, AND THIRD-PARTY RELIANCE (E.G., CREDITORS OR SHAREHOLDERS).

BUSINESSES WITH A PI SCORE OVER 350 ARE REQUIRED TO HAVE A FORMAL AUDIT PERFORMED BY A REGISTERED AUDITOR, WHILE BUSINESSES WITH A LOWER SCORE MAY ONLY NEED A COMPILATION ENGAGEMENT OR AN INDEPENDENT REVIEW.

3. Preparation for Compilation Engagements of AFS

KEY DOCUMENTS AND PREPARATIONS NEEDED:

- Accounting Records: Ensure accurate and up-to-date financial records are maintained (e.g., general ledger, income statement, balance sheet).
- Supporting Documentation: Gather all necessary documentation such as bank statements, invoices, receipts, contracts, and tax returns.
- Accounting Software/Tools: Choose appropriate software for compiling and reporting your financial statements, or work with an accountant if needed.
- Understanding of Financial Reporting Frameworks: Depending on your business size, your financial statements must comply with IFRS (International Financial Reporting Standards) or IFRS for SMEs (Small and Medium-sized Entities).
- Engagement Letter with Accountants: Define the terms with your accountant or auditor for the financial statement compilation.

- ✓ Accounting Records
- ✓ Supporting Documentation
- ✓ Accounting Software/Tools
- ✓ Financial Reporting Frameworks
- ✓ Engagement Letter with Accountants



4. Independent Review or Audit:

- If your business qualifies as a PIE or has a high PI score, it may require an independent review or a formal audit.
- Independent Review:
 - For businesses with a PI score between 100 and 350: An independent review may be required.
 - Audit: For businesses with a PI score over 350, an audit is mandatory, conducted by a registered auditor.
 - Ensure that your review meets the standards as defined by the South African Institute of Chartered Accountants (SAICA).



5. Submit Your AFS on Time:

- Ensure that your financial statements are submitted on time to avoid penalties.
- File the AFS with the appropriate authorities (e.g., CIPC)
- as per your business' regulatory requirements.

Get help from the Experts!

HOW R & SMITH CAN HELP



OUR TEAM OF EXPERTS CAN ASSIST YOU WITH THE PREPARATION OF YOUR ANNUAL FINANCIAL STATEMENTS, ENSURING THEY COMPLY WITH LEGAL REQUIREMENTS AND ARE ACCURATELY COMPILED.



WE OFFER BOTH COMPILATION ENGAGEMENTS AND INDEPENDENT REVIEW SERVICES (FOR NON-PIE COMPANIES), DEPENDING ON YOUR BUSINESS SIZE AND REQUIREMENTS.



LET US HELP YOU STREAMLINE THE PROCESS AND ENSURE YOUR BUSINESS STAYS COMPLIANT.

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