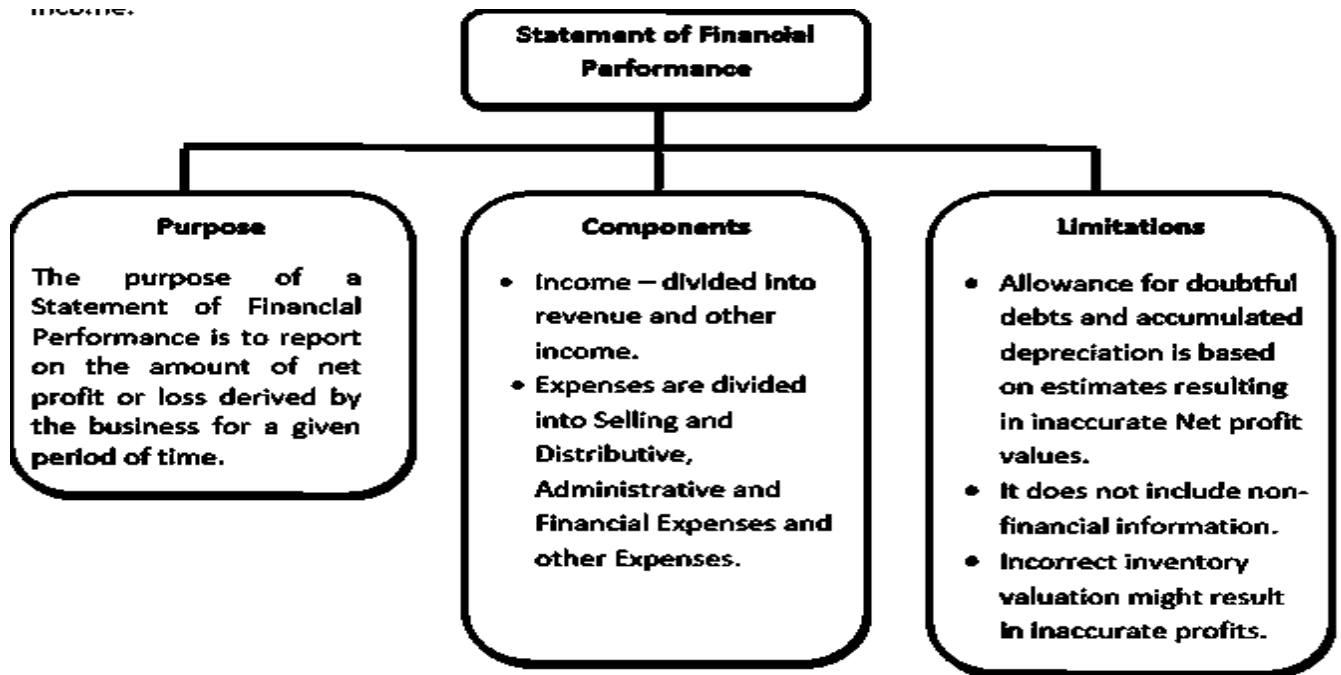


SANGAM SKM COLLEGE – NADI
Lesson Notes-Week1
YEAR 12
ACCOUNTING

Strand: Accounting Reports

Learning outcome: Apply accounting principles and processes in preparation of fully classified statement of financial position from the given trial balance and worksheets, accounting for all the balance day adjustments



Note:

Revenue- is the core or normal part of its operations. E.g. Sale of inventory.

Other Income- income earned by the business apart from the normal trading activities. E.g. rent received, commission received, bad debt recovered, discount received, doubtful debts (decrease), gain on sale of fixed assets, interest on investments etc.

Selling and Distribution Expenses- Costs that incurs in the selling, delivery and distribution of goods to the consumers: E.g. advertising, salesmen’s salaries, delivery vehicle expense, depreciation on plant, depreciation on delivery vehicle, cartage outwards, warehouse expense, commission expense etc.

Administrative Expenses- Costs associated with the general running of the business. E.g. office expenses, electricity, cell phone expense, rent, insurance, accounting and audit fees, printing and stationery, general expenses, wages and salaries, depreciation on building, depreciation on office equipment etc.

Financial Expenses- are expenses in connection with collecting debts, paying interest and allowing discounts? E.g. bad debts, discount allowed, interest on loan, doubtful debts, interest on mortgage.

Other Expenses- any other expenses that do not fall in the three categories given above (Selling and Distributive, Administrative and Financial expense). E.g. theft, loss on sale of fixed assets, donations, damages caused by fire or flood etc.

Note: Buying expenses includes: customs duty, cartage inwards, freight inwards, landing charges, and wharfage.

FORMAT**Statement of Financial Performance - Trading Business**

Business name			
Statement of Financial Performance for the year ended xx Month 20xx			
	\$	\$	\$
Sales		XX	
Less Sales Returns		XX	
Net Sales			XX
Less Cost of Goods Sold			
Opening Stock		XX	
Add Purchases	XX		
Less Purchases Returns	XX	XX	
Add Buying Expenses		XX	
Goods made Available for Sale		XX	
Less Closing Stock		XX	
Cost of Goods Sold			XX
Gross Profit /Loss			XX
Add Other Income			
Rent received		XX	
Gain on Sale of fixed assets		XX	XX
			XX
Less Expenses			
<u>Selling and Distribution Expenses</u>			
Salesman's salaries	XX		
Advertising	XX	XX	
<u>Administrative Expenses</u>			
Insurance	XX		
Repairs and maintenance	XX	XX	
<u>Financial Expenses</u>			
Bad debts	XX		
Doubtful debts (creating and increasing)	XX	XX	XX
			XX
Less Other Expenses			
Donations		XX	
Loss on sale of fixed assets		XX	XX
Net Profit or Net Loss			XXX

Class Activity

- Freight inwards would be classified as
 - Selling and distribution expenses.
 - Administrative expenses.
 - Other expenses.
 - Cost of Sales
- State the components of statement of financial performance.
- State the limitations of financial statements?

THE END

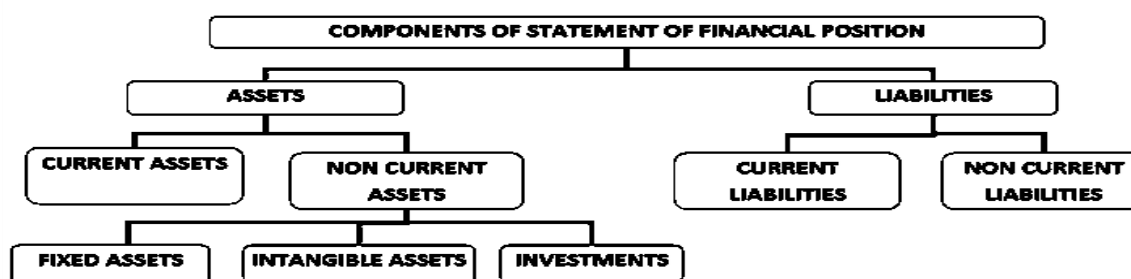
Sangam Skm College – Nadi
Lesson Notes Week 2
Year 12
Accounting

Strand: 4 Accounting Reports
Sub Strand: 4.1 Final Accounts
Course Content: students should be able to differentiate between related terms and prepare statement of financial position from given trial balance by incorporating balance day adjustments.

STATEMENT OF FINANCIAL POSITION

PURPOSE- is to report the entity's assets, liabilities and proprietorship at a point in time.

The Components of the Statement of Financial Position



Limitations:

- Values of the assets are based on historical cost which is outdated and may not reflect the current market value for assets.
- Dose not include non-financial information.
- Allowance for D/D and Accumulated depreciation is based on estimates resulting in inaccurate NP.

key terms:

Current Assets

Are those which are converted into cash **within one** year E.g. Cash at bank, inventory, accounts receivable.

Non-Current Assets

These are assets other than current assets which **cannot be** quickly converted into cash.

***i.* Fixed Assets**

Are those assets which are used in the business for **more than one** year to generate income. It is also known as Property, Plant and Equipment.

***ii.* Intangible Assets**

Are those assets which have **no physical substance**. That is; they cannot be seen or touched E.g. goodwill, patents rights, copy right.

***iii.* Investments**

Are money invested **outside** the business which generates income. E.g. term deposit, government bond, Shares in TT Co. Ltd.

Current Liabilities

Debts that must be paid **within a year**. E.g. accounts payable, bank overdraft (short term obligations of a business).

Non-Current Liabilities

Those debts that takes **more than one** accounting period to pay. E.g. mortgage, long term loan.

Mortgage

Is a secured loan on property. The mortgager has full right to seize the property in case of non-payment of loan.

Proprietorship

Is the owner's investment in the business plus the net profit ascertained by the business, less drawings.

FORMAT

Statement of Financial Position of (Business Name) as at day/ Month /Year.			
Current Assets :	\$	\$	\$
Cash at bank/ on hand		XX	
Closing stock/Inventory		XX	
Expenses Prepaid		XX	
Income due		XX	
Accounts receivable	XX		
Less Provision for doubtful debts (actual amount)	XX	XX	XX
Add Non-Current Assets			
Add Investments			
Government bond		XX	
Shares in AA Ltd		XX	
Add Fixed Assets/ Property, Plant and Equipment			
Land and building		XX	
Equipment	XX		
Less provision for depreciation	XX	XX	
Add Intangible Asset			
Goodwill/Patent /Copyright		XX	XX
Total Assets (current + non-current)			XX
Less Liabilities			
Current Liabilities			

Bank overdraft	XX		
Creditors/ Accounts payable	XX		
Income received in advance	XX		
Expense due	XX	XX	
Non-Current liabilities			
Mortgage	XX		
Loan	XX	XX	XX
Net Assets (total assets – total liabilities)			XXX
Proprietorship			
Capital		XX	
Add Net profit /Less Net Loss		XX	
		XX	
Less Drawings		XX	
Closing Proprietorship			XXX

Methods of Presenting Accounting Reports

The following methods are used by businesses to present the reports to the end users:

1. Written Reports
 - Information is presented by using the written words.
2. Reports with figures
 - Figures are used to convey information.
3. Graphs and Diagrams
 - Information is conveyed using graphs and diagrams.
4. Combination of written, figures, graphs and diagrams.

Class Activities

1. State 2 limitations for statement of financial position. (2 marks)
2. Define intangible assets. (1 mark)
3. State the formula for calculating. (note refer to the components table above)
 - i. Total Assets
 - ii. Net Assets
 - iii. Closing capital
 - iv. Total Accounts Receivables
 - v. Total liabilities (5 marks)

THE END

Sangam Skm College – Nadi
Lesson Notes Week 3
Year 12
Accounting

Strand: 4 Accounting Reports
 Sub Strand: 4.2 Non-Profit Organizations
 Course Content: students should be able to explore Non-Profit Organization and their financial reporting.

Nature of Clubs and Associations

- are usually formed according to the passion of a group of people who share the same interests. Example: Red Cross, Mothers Club, Rotary Club, Church and other Religious Bodies.
- Also known as clubs and association, non-trading concern.

Purpose: is to provide service to the public or its members without being profit oriented.

Procedures of forming Non-Profit Organisations in Fiji.

- Members get together with common interest.
- Members then elect the office bearers.
- The office bearers with the other members choose the name of the club and may register or may not register the club.
- There must be a set of constitutional rules governing the objects, membership, general meetings, appointment of officers, and control of funds.

Role Of Office Bearers

1. President	▪ Is the person who is overall in-charge of the club and has final say in the decision-making process.
2. Secretary	▪ Appointed person who records the minutes of all the meeting in the minute book.
3. Treasurer	▪ The person in-charge of looking after the financial affairs of the club.
4. Committee members	▪ Are people involved in the decision-making process apart from the executive members.

Entrance Fees - are payable by new members upon joining the club. This item is capitalised, therefore must be taken to the Statement of Financial Position (Balance Sheet) under Accumulated Funds.

Records kept by the clubs.

1. Register of Members

Is a book or computer entries which keep all information of its members. E.g. name of the member, address, subscriptions etc.

2. Minute book

Contains signed minutes of every meeting and is the official record of the club.

3. Correspondence file

All letters and correspondence are filed for future reference.

Sources of income for a club.

- ✓ Subscription (major source)
- ✓ Donations
- ✓ Fundraising
- ✓ Profit from trading activities
- ✓ Interest on fixed term deposit

Differentiate between incorporated and unincorporated club.

1. Incorporated clubs are organisations that are registered under the Charitable Trusts Act [Cap 67].

Features of Incorporated Clubs

- It has limited liability and is a separate legal entity.
- The account has to be audited.
- Need to keep adequate accounting records at all times.

2. Unincorporated clubs are organisations that are not registered under the Charitable Trusts Act [Cap 67].

Features of Unincorporated Clubs

- Does not require audited accounts.
- It has unlimited liability and is not a separate legal entity.

Importance of auditing financial reports of non-profit organisations.

- To get a true and fair picture of the day to day running of the club.
- To check the accuracy of the financial reports for decision making purposes.
- To meet the objective of accountability and transparency.

Differences between financial reports of Trading Business and Non Trading Concern

Trading Business	Non Trading Concern
Net profit	Surplus - Excess of income over expenditure
Net loss	Deficit – Excess of expenditure over income
Bad debts	Subscription written off
Capital	Accumulated fund
Bank account	Receipts and payments
Trading account	Trading activities – canteen account
Statement of Financial Performance	Income and Expenditure Statement
Statement of Financial Position.	Statement of Financial Position.

Class Activity

1. State the role of a Treasurer. (1 mark)
2. State the purpose of the Minute Book. (1 mark)
3. List 3 sources of income for Non-Profit Organization. (3 marks)
4. Explain the importance of auditing financial reports of Non- Profit Organizations. (2 marks)

The End