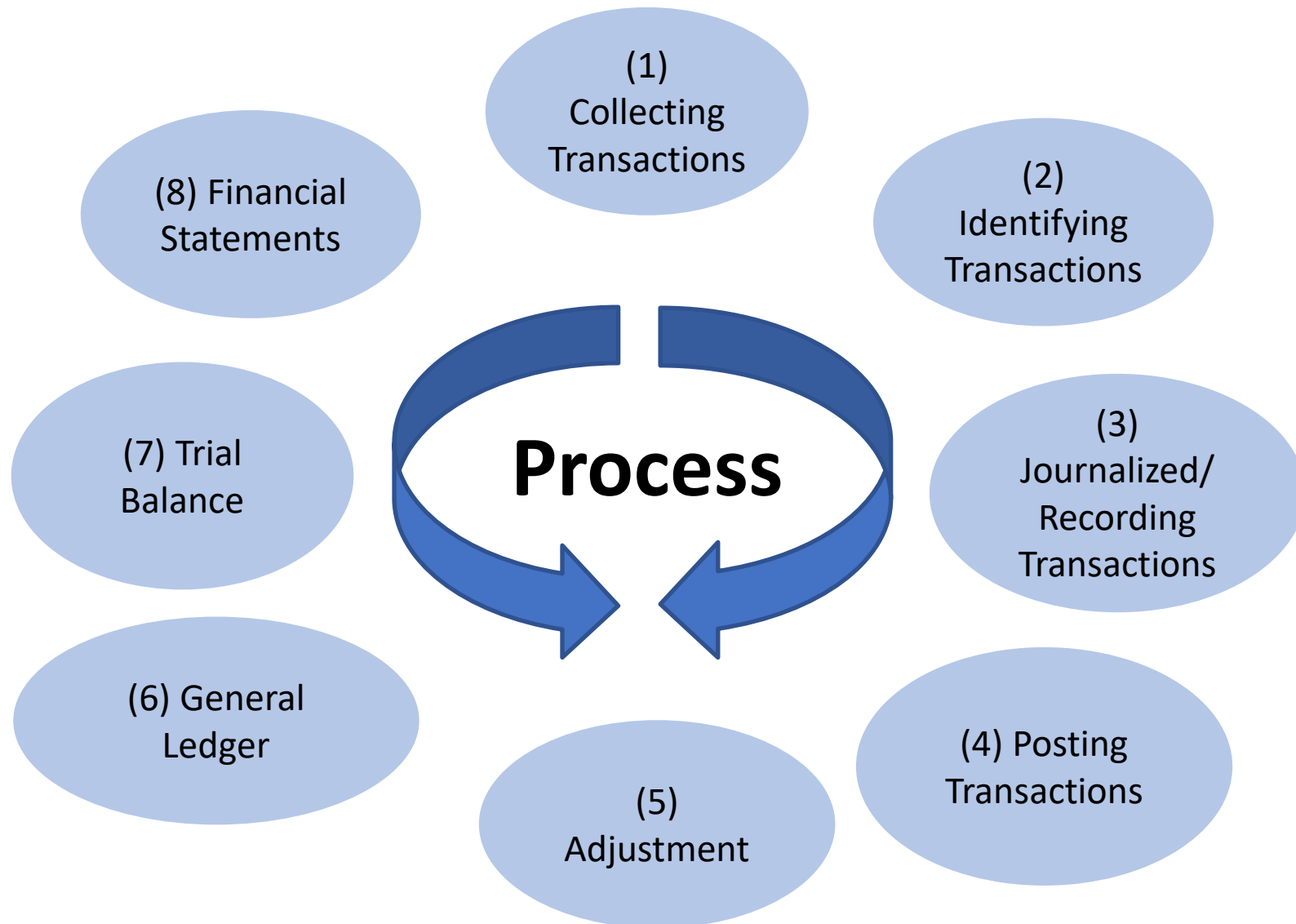


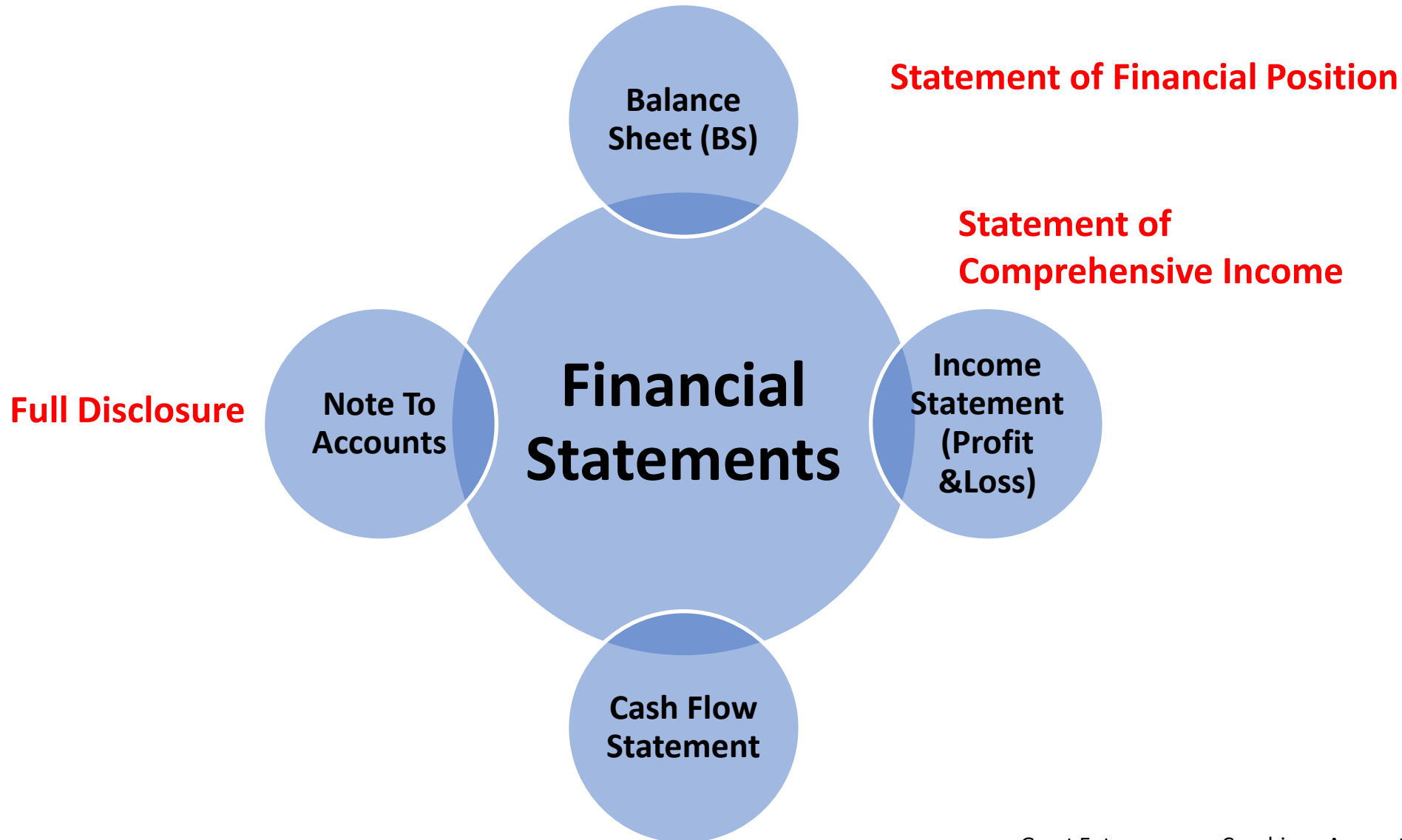
Module 3 : Financial Statements and Account

1. Accounting Cycle
2. Financial Statements
3. Accounting Equation & Double Entry
4. Trial Balance
5. Type of Account /Ledger
6. Control Account
7. Chart of Account

What is Accounting Cycle ?



What is Financial Statements?



Statement of Comprehensive Income / Income Statement / P&L

Sales / Revenue / Income

(a) Sales of Goods or services to customer. Either is by **Cash Term** or **Credit Term**

For example:

Mee Soup Hawker Stall , money received from customer is sales / income / revenue from sales of Mee Soup.

Plumber, repair water pipe. Money received after provide repairing service to customer.

(b) Net off all discount given / discount allowed

(c) Sales Return / Return Inwards

Less : Cost of Goods Sold

Gross Profit

Add: Other Income / Revenue

Less : Expenses / Expenditure

Net Profit

Statement of Comprehensive Income / Income Statement / P&L

Sales / Revenue / Income

Less : Cost of Goods Sold

Gross Profit (毛利 / 利润)

Add : Other Income/Revenue

Less : Expenses / Expenditure

Net Profit

Cost of Goods Sold

Opening Stock / Inventory

Add: Purchases

Add: Carriage Inwards / Purchase Tax / Import Duty

Add: Other cost pay because of the purchase

Add: Packaging Cost

Less: Purchase Return / Return Outwards

Less: Discount Received

Net Purchase

Less : Closing Stock / Inventory

Gross Profit = Net Sales – Cost of Goods Sold

Statement of Comprehensive Income / Income Statement / P&L

Sales / Revenue / Income

Less : Cost of Goods Sold

Gross Profit

Add: Other Income/Revenue

Less : Expenses / Expenditure

Net Profit

Other Income / Revenue

Other receipts not directly related to business i.e rental income, interest income

Expenses / Expenditure

Are payment made during the business for example:

- Electricity
- Water
- Telephone
- Rental
- Salary & Wage
- Advertising Fee
- Audit Fee
- Tax Fee
- Accounting Fee
- Income Tax

Net Profit = Gross Profit - Expenses

ABC Sdn Bhd

STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2019

	Note	2019 RM	2018 RM
Revenue	12	685,528	1,215,864
Cost of sales		<u>(472,337)</u>	<u>(732,457)</u>
Gross profit		213,191	483,407
Administration expenses		(340,559)	(381,874)
Staff costs	13	<u>(206,453)</u>	<u>(335,126)</u>
Loss before tax	14	(333,821)	(233,593)
Income tax expense	15	<u>-</u>	<u>-</u>
Loss after tax for the financial year		(333,821)	(233,593)
Other comprehensive income, net of tax		<u>-</u>	<u>-</u>
Total comprehensive loss for the financial year		<u><u>(333,821)</u></u>	<u><u>(233,593)</u></u>

ABC Sdn Bhd

DETAILED INCOME STATEMENT FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2019

	2019 RM	2018 RM
REVENUE	<u>685,528</u>	<u>1,215,864</u>
LESS: COST OF SALES		
Opening inventories	183,628	252,047
Purchases	267,387	488,424
Freight, duty and port charges	<u>203,701</u>	<u>175,614</u>
	654,716	916,085
Less: Closing inventories	<u>(182,379)</u>	<u>(183,628)</u>
	<u>472,337</u>	<u>732,457</u>
GROSS PROFIT	213,191	483,407
LESS: OPERATING EXPENSES	<u>(547,012)</u>	<u>(717,000)</u>
LOSS BEFORE TAX	<u>(333,821)</u>	<u>(233,593)</u>

OPERATING EXPENSES
FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2019

	2019	2018
	RM	RM
ADMINISTRATION EXPENSES		
Advertisement expenses	-	4,684
Ang pow	2,000	200
Auditors' remuneration	3,000	3,000
Bank charges	912	140
Bad debts written off	123	-
Consultancy charges	1,400	-
Courier charges	21	-
Credit card charges	4,981	5,885
Depreciation of property, plant and equipment	129,286	136,457
Electricity and water charges	63,179	84,485
Filing fee	350	200
GST expenses	-	2,384
Insurance and road tax	2,209	2,487
License fee	5,780	5,135
Loss on disposal of property, plant and equipment	3,210	-
Medical charges	-	60
Penalty	468	1,409
Petrol, toll and parking	1,399	1,317
Printing and stationery	1,562	3,106
Professional fees	11,700	10,644
Quit rent and assessment	-	617
Rental of premises	35,600	38,400
Rental of storeroom	6,000	7,000

Repair and maintenance	-	42,448
Secretarial fee	960	979
Service tax	367	-
Staff welfare	1,102	1,404
Stamp duty	210	10
Subscription fees	1,037	4,467
Telephone charges	4,970	4,306
Training expenses	200	880
Travelling, transportation and accommodation	218	277
Upkeep of computers	4,200	3,250
Upkeep of office equipment	-	992
Upkeep of shop	45,736	2,910
Work permit and levy charges	8,378	12,341
	<u>340,559</u>	<u>381,874</u>

STAFF COSTS

EPF contributions	20,479	18,940
Salaries, bonus and incentives	117,702	135,220
Socso and EIS contributions	2,778	2,767
Wages	65,494	178,199
	<u>206,453</u>	<u>335,126</u>
	<u>547,012</u>	<u>717,000</u>

Exercise 1

Cost of goods sold	Sales	Gross Profit / (Gross Loss)
RM9,520	RM11,520	RM2,000
RM8,640	RM15,672	RM7,032
RM12,300	RM12,000	(RM300)
RM6,540	RM4,890	(RM1,650)
RM8,860	RM18,000	RM9,140

Using information below and prepare Statement of Comprehensive Income

Exercise 2

Darwin Enterprise	31 Dec 2016
Sales	RM 40,000
Purchases	RM 20,000
Closing Stock	RM10,000

Exercise 3

Shahidah Enterprise	31 Dec 2016
Sales	RM 60,000
Purchases	RM 40,000
Closing Stock	RM25,000
Discount Given	RM2,000
Advertising	RM3,000
General Expenses	RM4,500

Statement of Financial Position / Balance Sheet (BS)

- snapshot of the company's assets, liabilities, and owners' equity at a specific point in time.
- The company's assets must be financed by either debt (liabilities) or ownership interest (equity).
- Therefore, company value balance and represent by **Accounting Equation**
- Investor is looking at Balance Sheet to decide whether to buy over the company
- The balances are carrying forward to next year until the company wound up

Balance Sheet Items

<div>Assets</div>	<div>=</div>	<div>Liabilities</div>	<div>+</div>	<div>Equities</div>	
<div>Current Assets</div>		<div>Current Liabilities</div>		<div>Share Capital</div>	<div>Retained Earning</div>
<div>(1) Stocks</div>		<div>(1) Trade Creditors</div>		<div>(1) Paid Up</div>	<div>(1) Profit or (Loss) B/F</div>
<div>(2) Trade Debtors</div>		<div>(2) Other Creditors</div>			<div>(2) Current Year Profit or (Loss)</div>
<div>(3) Other Debtors</div>		<div>(3) Tax Liabilities</div>			
<div>(4) Cash & Bank Balances</div>		<div>(4) Bank Borrowings</div>			<div>(3) Dividend Declared</div>
<div>Non-Current Assets</div>		<div>Non-Current Liabilities</div>		<div>Expenditure</div>	<div>Revenue</div>
<div>(1) Tangible – Fixed Assets</div>		<div>(1) Bank Borrowings > 1 year</div>		<div>(1) Revenue Expenditure</div>	<div>(1) Sales</div>
<div>(2) Intangible – Goodwill</div>		<div>(2) Deferred Taxation</div>		<div>(2) Capital Expenditure</div>	<div>(2) Other Income</div>

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ABC Sdn Bhd

STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2019

	Note	2019 RM	2018 RM
ASSETS			
NON-CURRENT ASSET			
Property, plant and equipment	4	<u>382,422</u>	<u>515,418</u>
CURRENT ASSETS			
Inventories	5	182,379	183,628
Other receivables, deposits and prepayments	6	19,194	94,064
Tax recoverable		1,132	4,000
Cash and bank balances		<u>15,155</u>	<u>28,201</u>
		<u>217,860</u>	<u>309,893</u>
TOTAL ASSETS		<u><u>600,282</u></u>	<u><u>825,311</u></u>
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Share capital	7	400,000	400,000
Accumulated losses		<u>(1,046,440)</u>	<u>(712,619)</u>
CAPITAL DEFICIENCY		<u>(646,440)</u>	<u>(312,619)</u>
CURRENT LIABILITIES			
Trade payables	8	33,986	30,231
Other payables, deposits received and accruals	9	1,212,736	24,124
Amount due to directors	10	<u>-</u>	<u>1,083,575</u>
		<u>1,246,722</u>	<u>1,137,930</u>
TOTAL LIABILITIES		<u>1,246,722</u>	<u>1,137,930</u>
TOTAL EQUITY AND LIABILITIES		<u><u>600,282</u></u>	<u><u>825,311</u></u>

ABC Sdn Bhd

STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2019

	Share capital RM	Accumulated losses RM	Total RM
As at 1st January 2018	400,000	(479,026)	(79,026)
Total comprehensive loss for the financial year	<u>-</u>	<u>(233,593)</u>	<u>(233,593)</u>
As at 31st December 2018	400,000	(712,619)	(312,619)
Total comprehensive loss for the financial year	<u>-</u>	<u>(333,821)</u>	<u>(333,821)</u>
As at 31st December 2019	<u>400,000</u>	<u>(1,046,440)</u>	<u>(646,440)</u>

Trial Balance

1

- A trial balance is a worksheet with **two columns**, one for **debits** and one for **credits**.

2

- It is a summary of the **ending balance** of each **General Ledger** account

3

- That ensures a company's bookkeeping is **mathematically correct**.

ADMIN

TRAINING TRADING SDN BHD**Trial Balance As At 31/12/2020**

AccNo	Description	This Year	
		Debit	Credit
300-0000	TRADE DEBTORS	80,000.00	
310-1000	HLBB		9,000.00
320-0000	CASH IN HAND		2,000.00
330-0000	STOCK	18,000.00	
400-0000	TRADE CREDITORS		40,600.00
500-0000	SALES		80,000.00
610-0000	PURCHASES	40,600.00	
620-0000	STOCKS AT THE END OF YEAR		18,000.00
903-0000	DEPRECIATION OF FIXED ASSETS	6,800.00	
916-0000	DISPOSAL OF PPE	1,500.00	
917-0000	PPE WRITTEN OFF	2,700.00	
		149,600.00	149,600.00

Accounting Equation Formula

Total Assets = Total Liabilities + Total Equity



Double Entry System

- The most important skill in accounting
- Every Account consists of Debit side and Credit side
- The double entry system means that every business transaction will have a dual effect. That is a debit entry and a corresponding credit entry in the respective account.
- The principle of the double entry system MUST always be practiced in the preparation of ledger entries.
- This is to ensure that at the end of period, the accounting equation are tally.
- $\text{Assets} = \text{Liabilities} + \text{Owner Equities}$

Double Entry & Accounting Equation

Assets

=

Liabilities

+

Equities

Assets Ledger		Liabilities Ledger		Share Capital		Retained Earning	
Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit
+	-	-	+	-	+	-	+

Expenditure		Revenue	
Debit	Credit	Debit	Credit
+	-	-	+

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Exercise

Ledger (Account)

1

- A book that record all business transactions

2

- Every transaction flows from a journal to one or more ledger

3

- Financial statements are generated from summary totals in the ledgers

T - Account

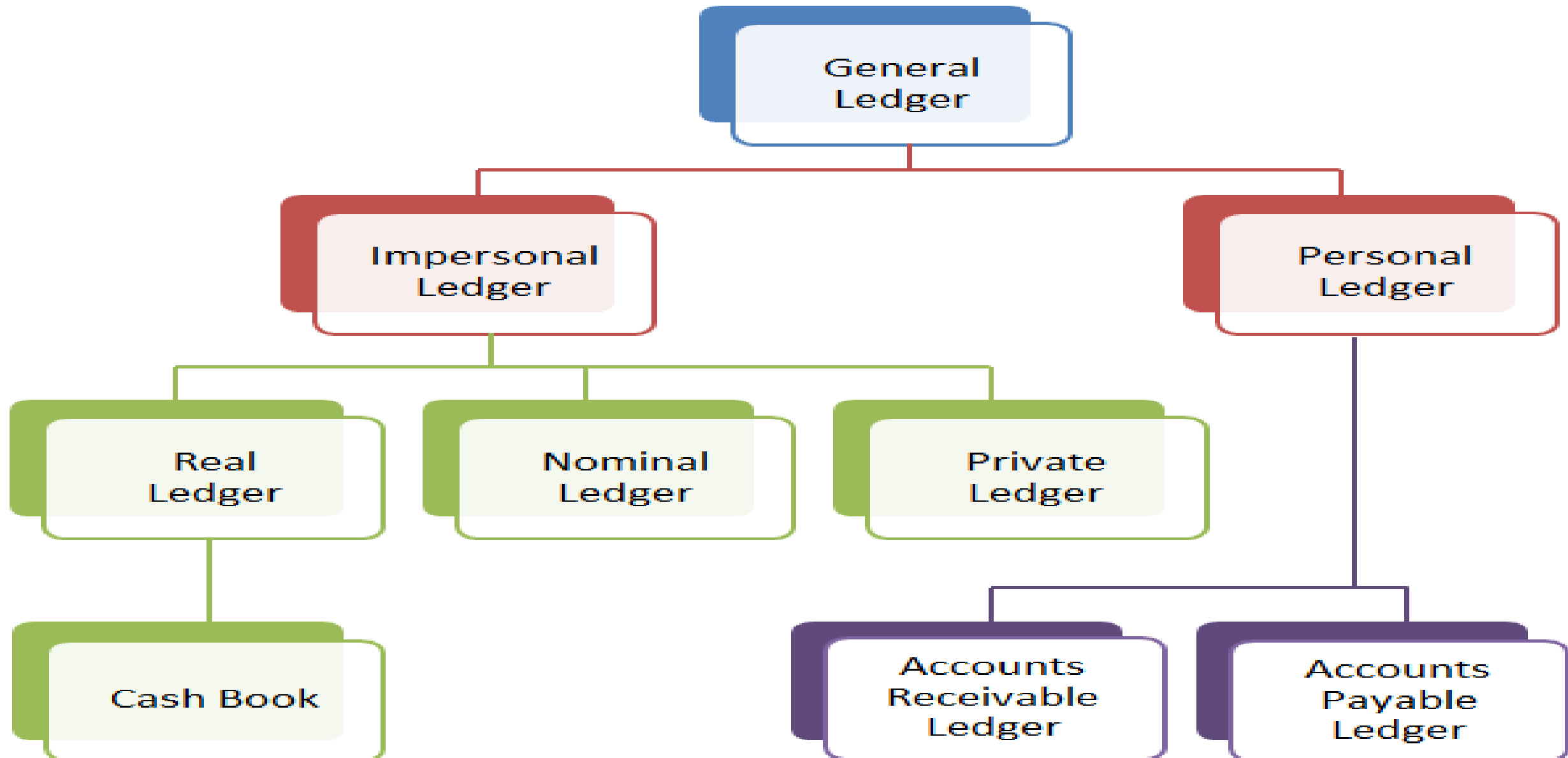
Debit

Account Name

Credit

Date	Journal	REF. 1/ REF. 2	Description	Debit	Credit	Balance
		BALANCE B/F				0.00
20/01/2021	PURCHASE	PI 20-000017 SKW9DX2DA2	FACEBOOK AD JAN INTAKE 18/12/20 - 19/12/20	109.34		109.34
21/02/2021	PURCHASE	PI 21-000001 7138721	FACEBOOK AD APR INTAKE 20/02/21 - 20/02/21	0.06		109.40
21/02/2021	PURCHASE	PI 21-000001 7138721	FACEBOOK AD CREDIT CARD EXTRA	0.75		110.15
21/02/2021	PURCHASE	PI 21-000018 7138720	FACEBOOK AD APR INTAKE 20/02/21 - 20/02/21	0.28		110.43
20/03/2021	PURCHASE	PI 21-000019 7288540	FACEBOOK AD APR INTAKE 20/02/21 - 15/03/21	266.27		376.70
20/03/2021	PURCHASE	PI 21-000019 7288540	FACEBOOK AD CREDIT CARD EXTRA	2.66		379.36
20/04/2021	PURCHASE	PI 21-000020 7462778	FACEBOOK AD APR INTAKE 27/03/21 - 18/04/21	169.45		548.81
20/04/2021	PURCHASE	PI 21-000020 7462778	FACEBOOK AD CREDIT CARD EXTRA CHARGES ON FA AD	3.40		552.21
20/04/2021	PURCHASE	PI 21-000020 7462778	FACEBOOK AD JUNE INTAKE 27/03/21 - 18/04/21	170.70		722.91
Great Entrepreneurs Coaching - Accounting Certified Coach				722.91	0.00	722.91

Sub-division of the Ledger



GENERAL LEDGER

Debtors Control			Creditors Control		
Dr		Cr	Dr		Cr
<i>Balance</i>	5 000			<i>Balance</i>	1 800
Stock Control					
Dr		Cr			
<i>Balance</i>	2 000				

DEBTOR'S LEDGER			CREDITOR'S LEDGER		
Debtor A			Creditor A		
Dr		Cr	Dr		Cr
<i>Balance</i>	3 500			<i>Balance</i>	800
Debtor B			Creditor B		
Dr		Cr	Dr		Cr
<i>Balance</i>	1 500			<i>Balance</i>	1 000

STOCK LEDGER		
Stock Item A		
Dr		Cr
<i>Balance</i>	900	
Stock Item B		
Dr		Cr
<i>Balance</i>	1 100	

Control Accounts

Type Of Accounts

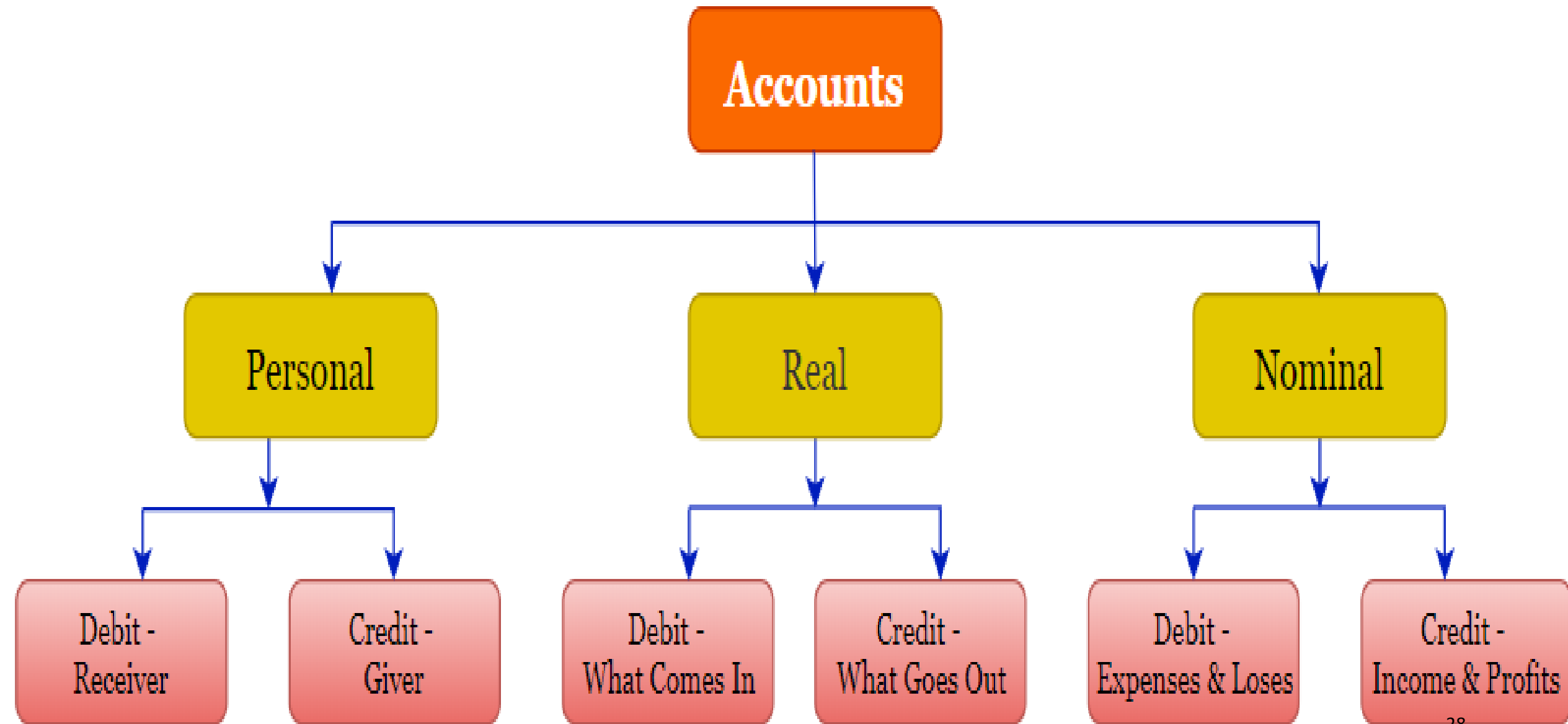


Chart of Account

1

- is a listing of all accounts name used in the general ledger of a company

2

- is usually sorted in order by account number

3

- listed according to appearance in the financial statements (Balance Sheet & Profit & Loss)

Chart of Account

4

- When setting up a chart of accounts, typically, the accounts that are listed will **depend on the nature of the business**.

5

- **Groups of numbers are assigned** to each of the five main categories

6

- Small businesses commonly use **three-digit numbers**, while large businesses use **four-digit numbers** to allow room for additional numbers as the business grows

Example: A large business numbering system

- Assets: 1000-1999
- Liabilities: 2000-2999
- Shareholder's equity: 3000-3999
- Revenue: 4000-4999
- Expenses: 5000-5999

Account Code	Account Description	Account Type	Statement
1000000	<u>Tangible Assets</u>	Asset	Balance Sheet
1000001	Fixed Assets	Asset	Balance Sheet
1100000	<u>Intangible Assets</u>	Asset	Balance Sheet
1100001	Goodwill	Asset	Balance Sheet
1500000	Current Assets	Asset	Balance Sheet
1501000	Inventory	Asset	Balance Sheet
1502000	Trade Debtors	Asset	Balance Sheet
1503000	Other Debtors	Asset	Balance Sheet
1504000	Cash & Bank Balances	Asset	Balance Sheet
1700000	<u>Current Liabilities</u>	Liability	Balance Sheet
1701000	Trade Creditors	Liability	Balance Sheet
1702000	Other Creditors	Liability	Balance Sheet
1703000	Tax Liabilities	Liability	Balance Sheet
1704000	Bank Borrowing	Liability	Balance Sheet

263000	LEASE LIABILITIES OFFICE
263001	Lease Liabilties Office
263002	Provision For Restoration Costs
263009	TOTAL LEASE LIABILTIES OFFICE
299995	DEFERRED TAX
299996	Deferred Tax Liabilities
299997	TOTAL DEFERRED TAX
299998	TOTAL NON CURRENT LIABILITIES
299999	TOTAL LIABILITIES
299999.1	NET ASSETS
300000	SHAREHOLDER FUND

Sample Audited Financial Statements