

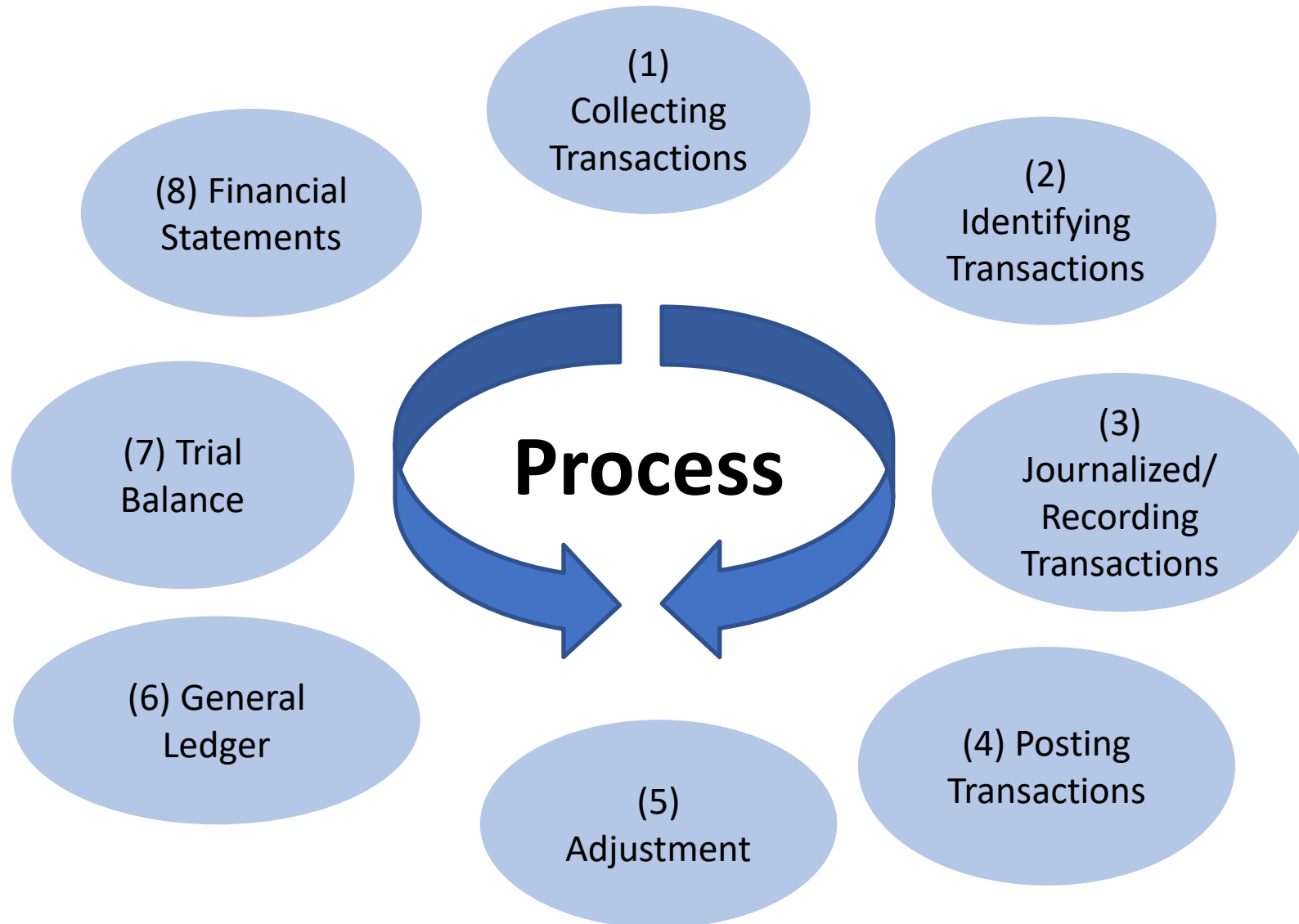
# Lesson 3 : Financial Statements and Account

3.1 Accounting Cycle

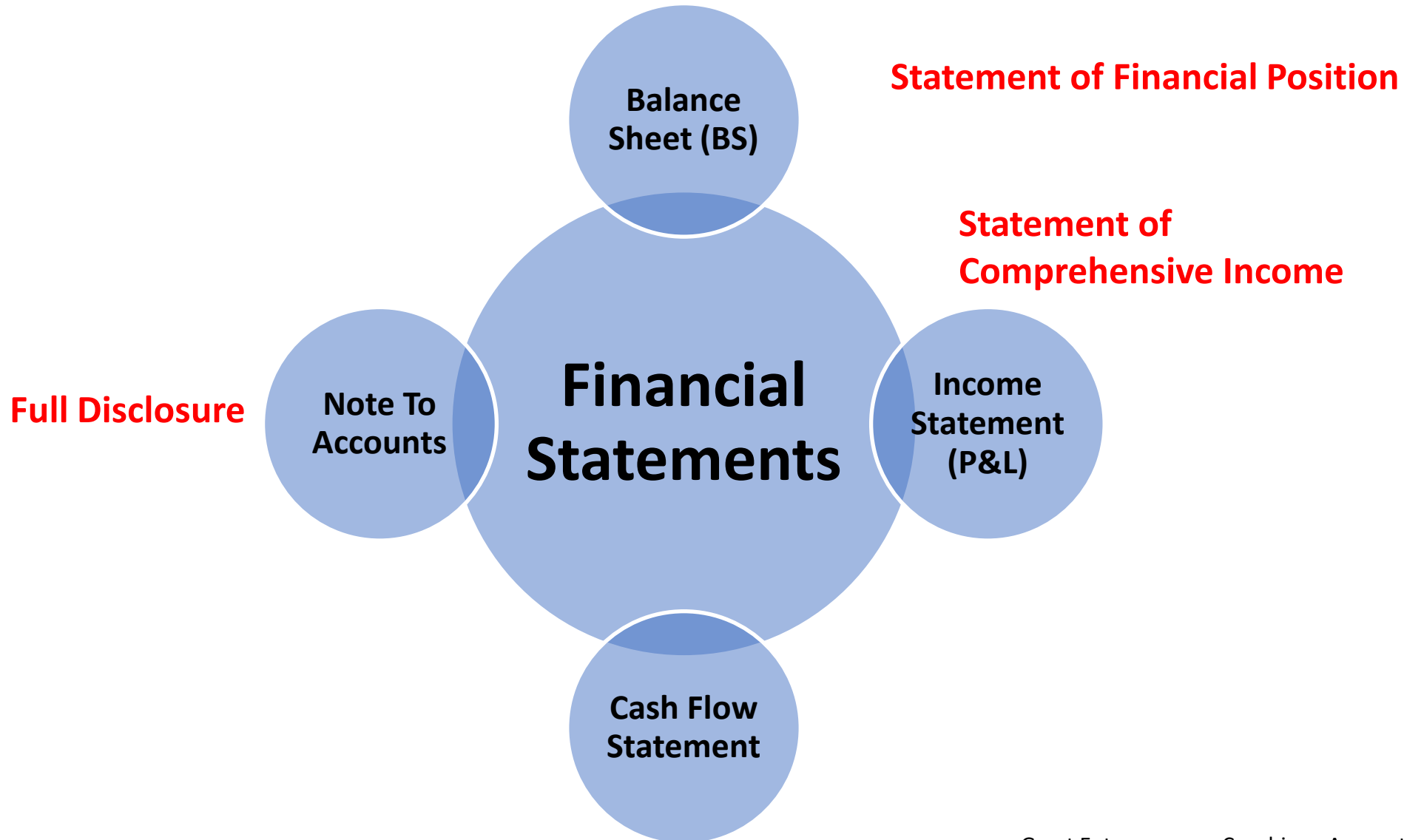
3.2 Financial Statement

3.3 Accounting Equation & Double Entry

# 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**

**Less : Cost of Goods Sold**

For example:

**Gross Profit**

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

**Add: Other Income / Revenue**

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

**Less : Expenses / Expenditure**

(b) Net off all discount given / discount allowed

**Net Profit**

( c) Sales Return / Return Inwards

# 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
<b>REVENUE</b>	<u>685,528</u>	<u>1,215,864</u>
<b>LESS: COST OF SALES</b>		
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>
<b>GROSS PROFIT</b>	213,191	483,407
<b>LESS: OPERATING EXPENSES</b>	<u>(547,012)</u>	<u>(717,000)</u>
<b>LOSS BEFORE TAX</b>	<u>(333,821)</u>	<u>(233,593)</u>



**OPERATING EXPENSES  
FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2019**

	<b>2019</b>	<b>2018</b>
	<b>RM</b>	<b>RM</b>
<b>ADMINISTRATION EXPENSES</b>		
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>
<b>STAFF COSTS</b>		
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>

# Statement of Financial Position / Balance Sheet (BS)

- snapshot of the company's assets, liabilities, and owners' equity at a specific point in time. Showing the company net worth.
- 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

# Accounting Equation Formula

**Total Assets = Total Liabilities + Total Equity**



# Balance Sheet Items



## Current Assets

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- (1) Stocks
- (2) Trade Debtors
- (3) Other Debtors
- (4) Cash & Bank Balances

## Current Liabilities

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- (1) Trade Creditors
- (2) Other Creditors
- (3) Tax Liabilities
- (4) Bank Borrowings

## Share Capital

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- (1) Paid Up

## Retained Earning

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- (1) Profit or (Loss) B/F
- (2) Current Year Profit or (Loss)
- (3) Dividend Declared

## Non-Current Assets

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- (1) Tangible – Fixed Assets
- (2) Intangible – Goodwill

## Non-Current Liabilities

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- (1) Bank Borrowings > 1 year
- (2) Deferred Taxation

## Expenditure

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- (1) Revenue Expenditure
- (2) Capital Expenditure

## Revenue

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- (1) Sales
- (2) Other Income

# ABC Sdn Bhd

## STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2019

	Note	2019 RM	2018 RM
<b>ASSETS</b>			
<b>NON-CURRENT ASSET</b>			
Property, plant and equipment	4	<u>382,422</u>	<u>515,418</u>
<b>CURRENT ASSETS</b>			
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>
<b>TOTAL ASSETS</b>		<u><u>600,282</u></u>	<u><u>825,311</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>CAPITAL AND RESERVES</b>			
Share capital	7	400,000	400,000
Accumulated losses		<u>(1,046,440)</u>	<u>(712,619)</u>
<b>CAPITAL DEFICIENCY</b>		<u>(646,440)</u>	<u>(312,619)</u>
<b>CURRENT LIABILITIES</b>			
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>
<b>TOTAL LIABILITIES</b>		<u>1,246,722</u>	<u>1,137,930</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<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

# Double Entry System

- The most important skill in accounting
- Every business transactions must have equal dual effect which is one Debit side and Credit side
- This is to tell users where the money come from and goes to
- This double entries is a must because of accounting equation always balance

$$\text{Assets} = \text{Liabilities} + \text{Equity}$$

# Double Entry & Accounting Equation



Assets Ledger

Liabilities Ledger

Share Capital

Retained Earning

Debit

Credit



Debit

Credit



Debit

Credit



Debit

Credit



Expenditure

Revenue

Debit

Credit



Debit

Credit



Current Year P&L. After Financial Year End the Profit / (Loss) will be transfer to Retained Earnings under Balance Sheet