

Accounting Made Easy (Part 2)

Flexible Online Training

A close-up photograph of a person's hands in a light blue suit sleeve using a black calculator. The calculator is resting on a desk with various financial documents, including a spreadsheet with a colorful bar chart and a table of numbers. The background is softly blurred, showing more papers and a laptop. The text 'Part II: Accounting concepts, applications & interpretation' is overlaid in white, bold font.

Part II: Accounting concepts, applications & interpretation

Webinar Outline

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02 Consistency Concept

03 Prudence Concept

04 Going Concern Assumption

05 The Matching Concept

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Historical Cost Convention



Historical Cost Convention

Historical

Value attributed to transaction is historical

Convention is

Historical Cost less impairment if any

Consistency Concept

Consistent adoption

- ✓ for comparability
- ✓ from one period to another
- ✓ and with others



Prudence Concept

Prudence Concept

When in doubt,

- ✓ **be conservative**
- ✓ **in adopting policies and estimation**

so that

- ✓ **income/asset** not overstated
- ✓ **expense/liability** not understated



Going Concern Assumption

Accounts are prepared assuming



➤ ability to operate

➤ sell assets and pay liabilities

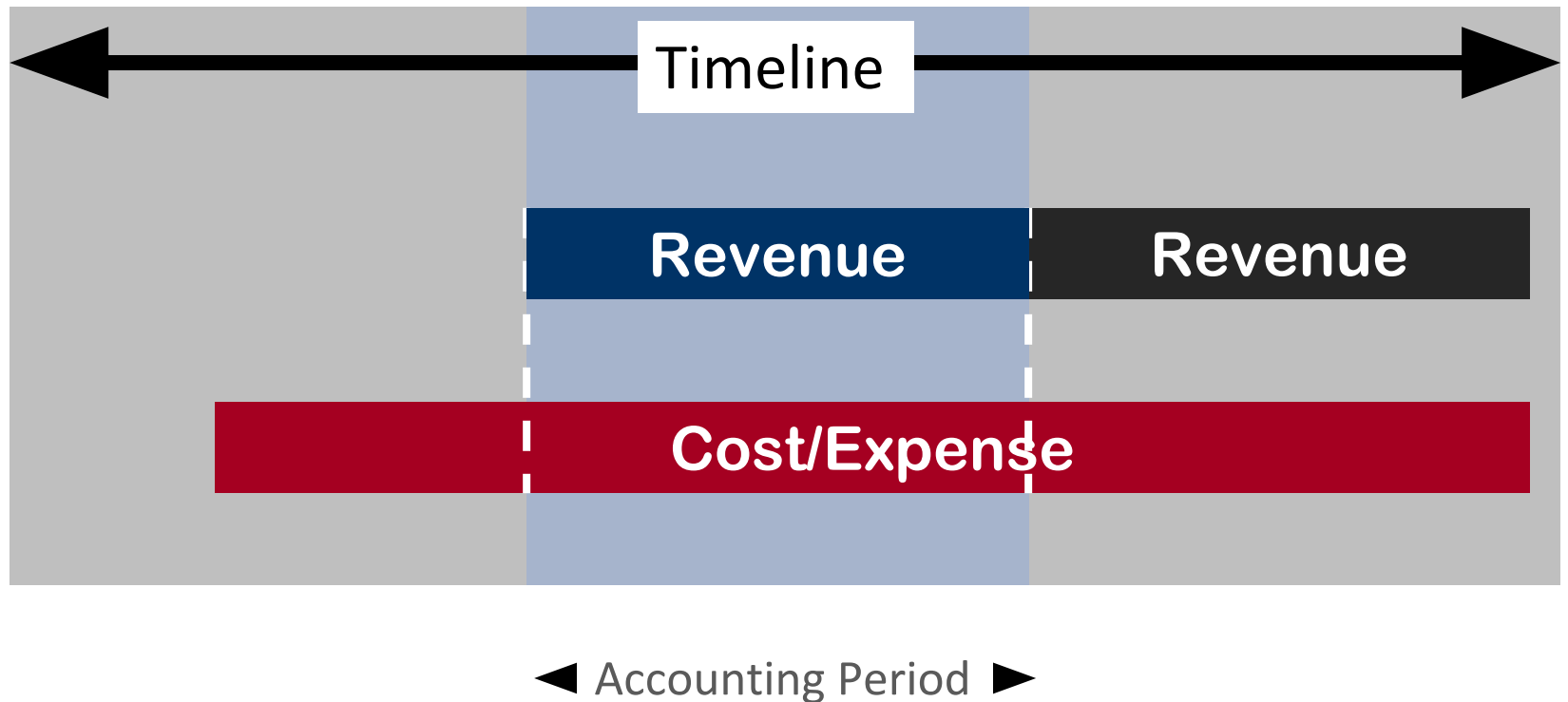
➤ in normal course of the business

➤ into foreseeable future.

Otherwise, accounts to be on break-up basis.

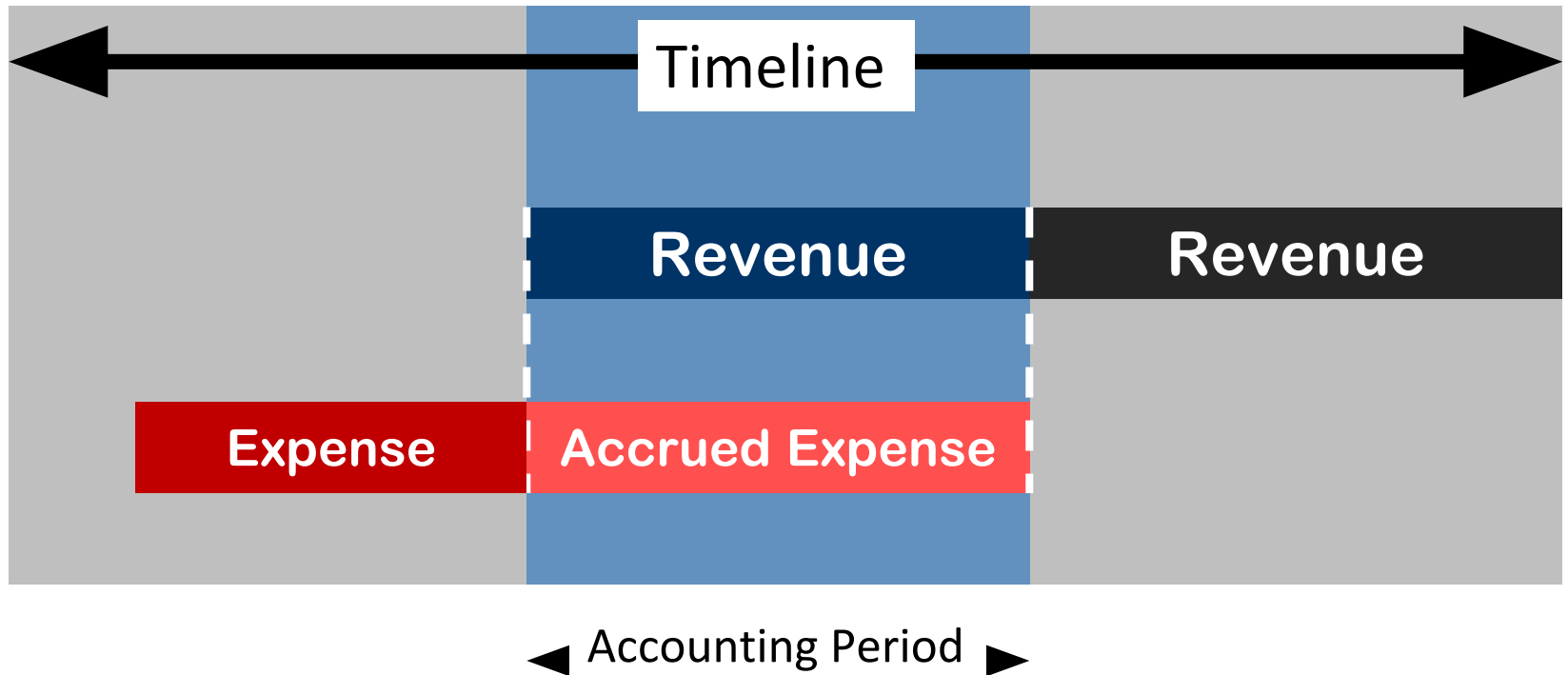
The Matching Concept

The Matching Concept

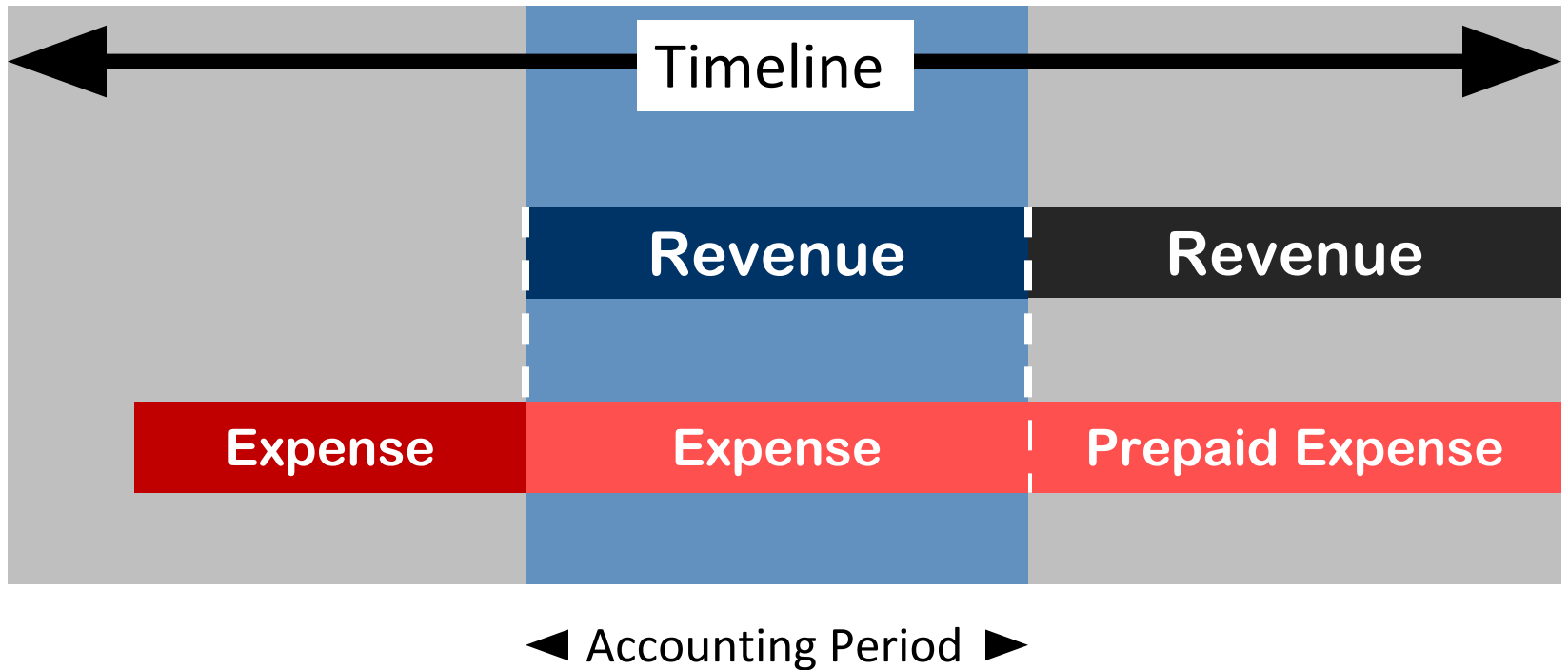


The Accrual Concept

The Accrual Concept

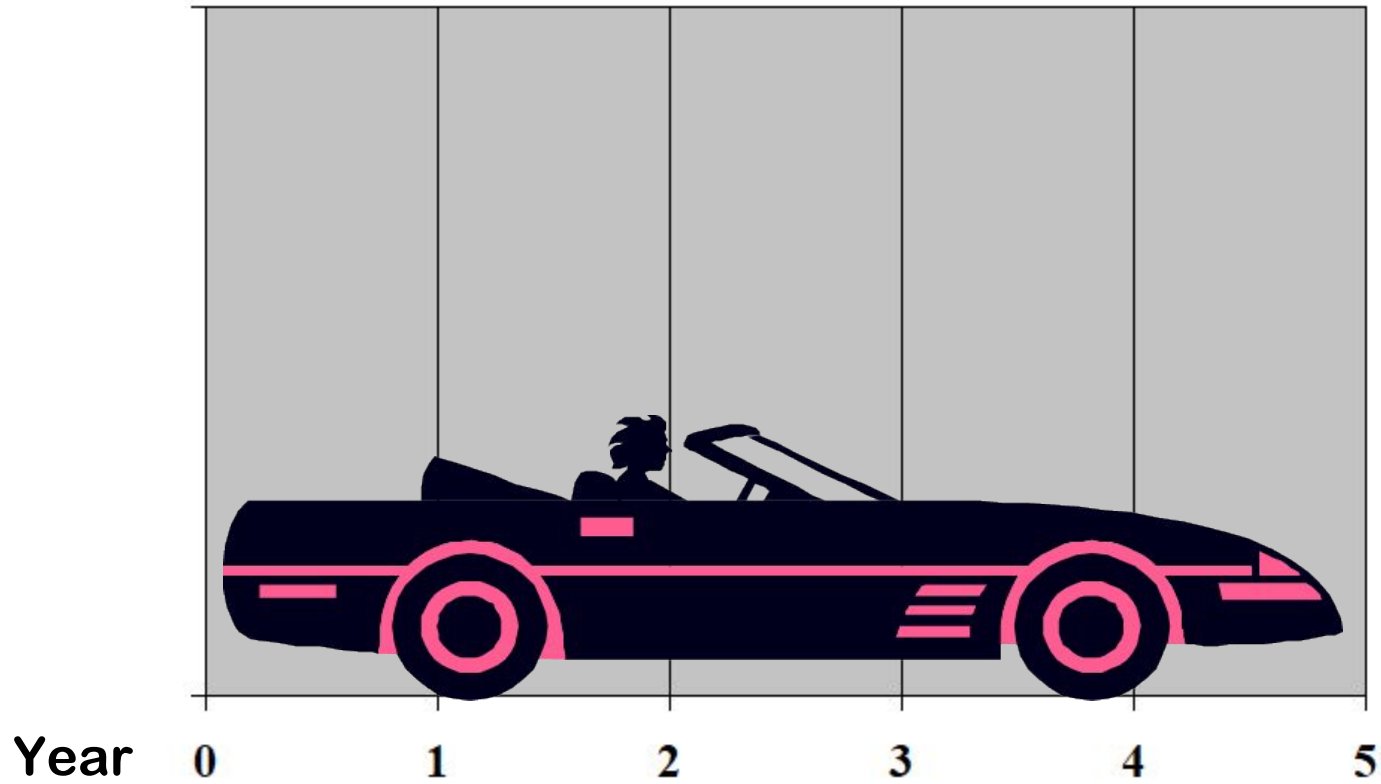


The Accrual Concept



Depreciation/ Amortisation Concept

Depreciation/Amortisation Concept



CASH BOOK V BANK STATEMENT

Bank Reconciliation

Bank Reconciliation

Cash Book					Bank Statement					
Date	Cheque No.	Description	In	Out	Bank Balance	Date	Description	In	Out	Bank Balance
1.1.2019		Balance b/f			500.00	1.1.2019	Balance b/f			500.00
		Cash sale	100.00 ✓		600.00		Bank in		100.00 ✓	600.00
		Cash sale	75.00 ✓		675.00		Bank in		75.00 ✓	675.00
2.1.2019		Cash sale	65.00 ✓		740.00	2.1.2019	Bank in		65.00 ✓	740.00
	000001	Purchase from X		195.00 ✓	545.00		Cheque 000001	195.00 ✓		545.00
3.1.2019		Cash sale	250.00 ✓		795.00	4.1.2019	Bank in		650.00 ✓	1,195.00
		Collection from A	100.00 ✓		895.00		Cheque 000002	20.00 ✓		1,175.00
	000002	Rent to Y		500.00 ✓	395.00		Cheque 000005	200.00 ✓		975.00
	000003	Stationery from B		20.00 ✓	375.00	5.1.2019	Bank in cleared		100.00 ✓	1,075.00
4.1.2019		Cash sale	400.00 ✓		775.00		Cheque 000003	500.00 ✓		575.00
	000004	TNB		75.00	700.00					
	000005	Salary to Z		200.00 ✓	500.00					
		Collection from C	300.00		800.00					

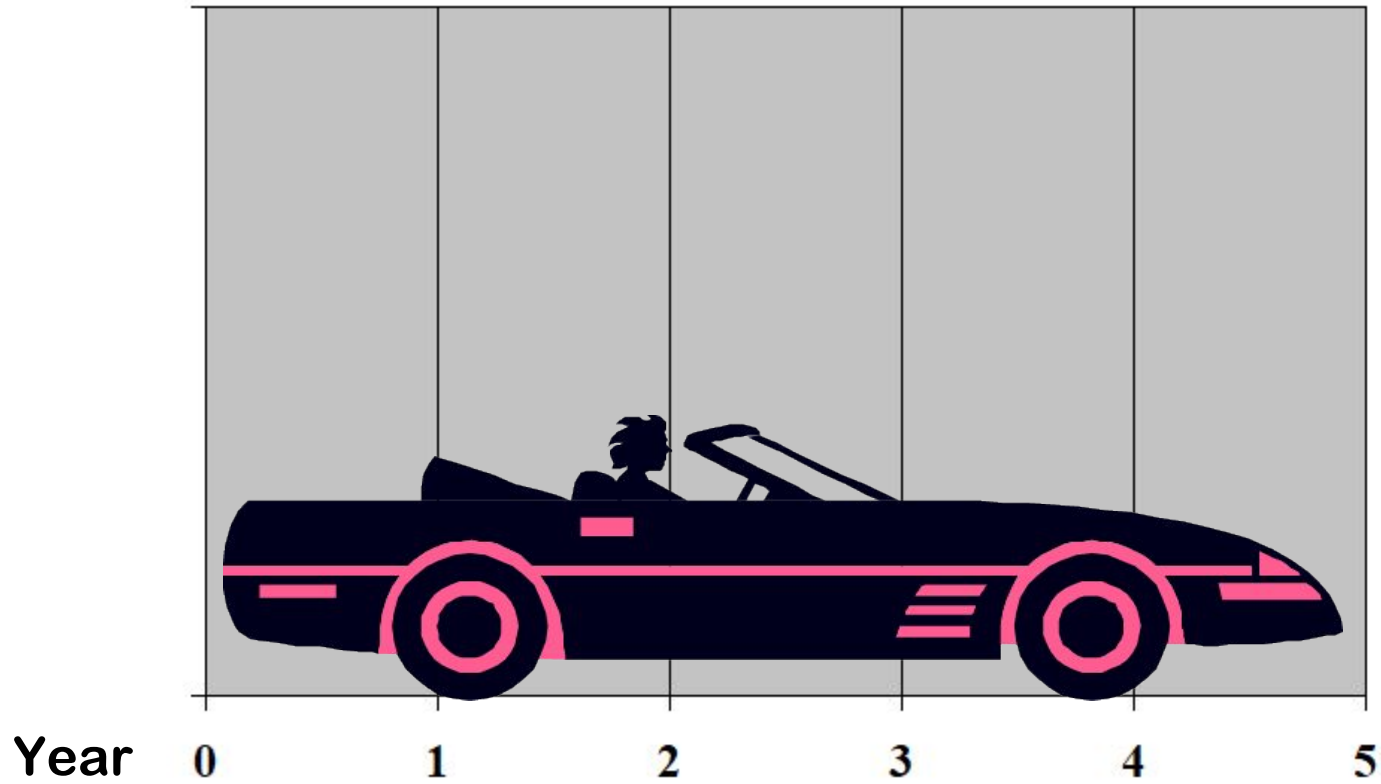
<u>Bank reconciliation</u>		
Balance per bank statement		575.00
Add: Uncleared bank in		300.00
		875.00
Less: Unpresented cheque 000004		75.00
Balance per cash book		800.00

ACCOUNTING PROFIT V TAX PROFIT

Example of how taxable profit is different from accounting profit

		RM	
Accounting Profit		100	
Add:			
Depreciation	50		<i>Timing</i>
Provision for doubtful debts	20		<i>Timing</i>
Disallowed entertainment expense	10		<i>Permanent</i>
		80	
		180	
Less:			
Capital allowances	35		<i>Timing</i>
Bad debt	15		<i>Timing</i>
		50	
Taxable Profit		130	

Depreciation/Amortisation Concept



Example of how taxable profit is different from accounting profit

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		50	
Taxable Profit		130	

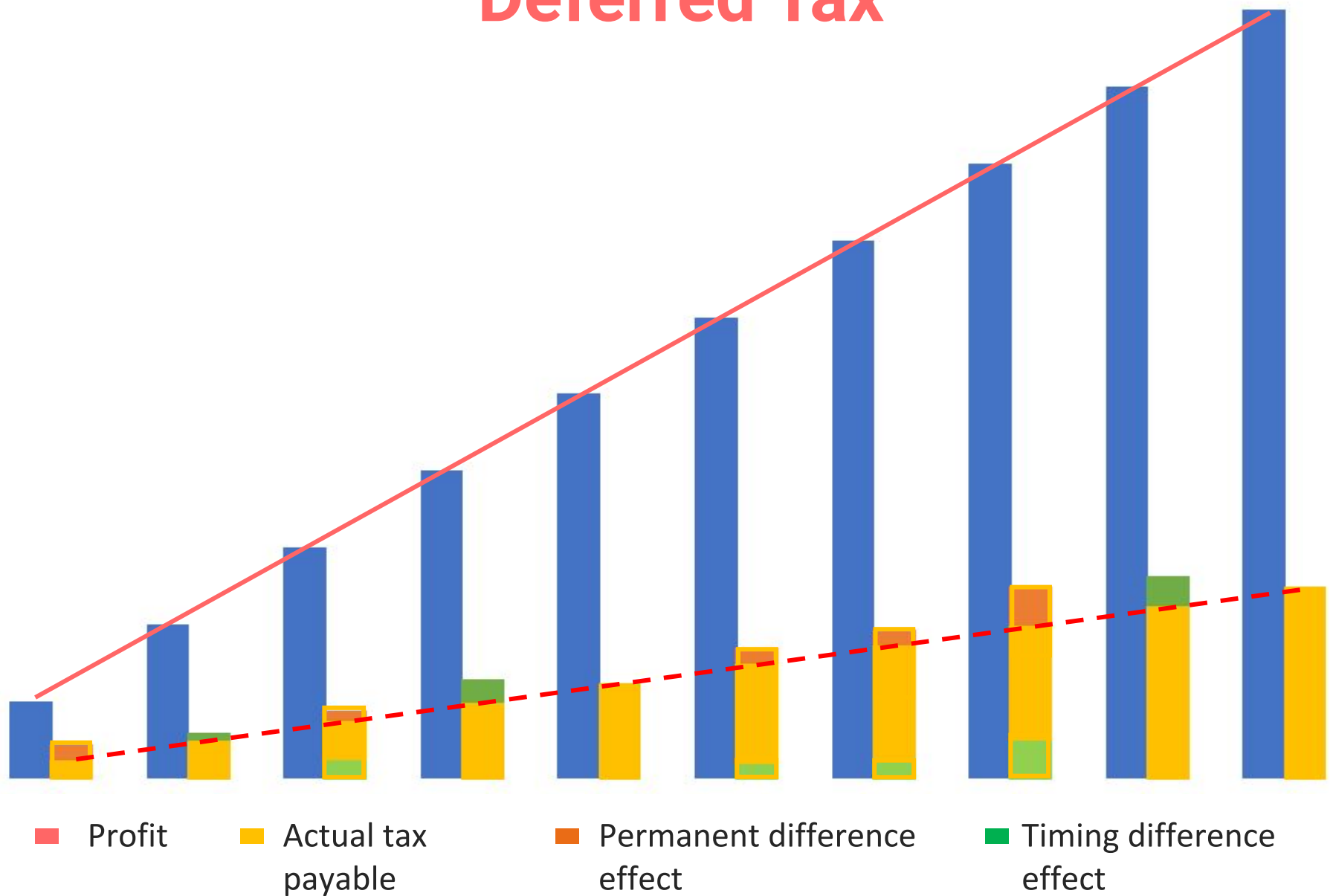
Deferred Tax

Purpose: To tell the story of how cash came in and out of the enterprise during the period.

Deferred Tax



Deferred Tax

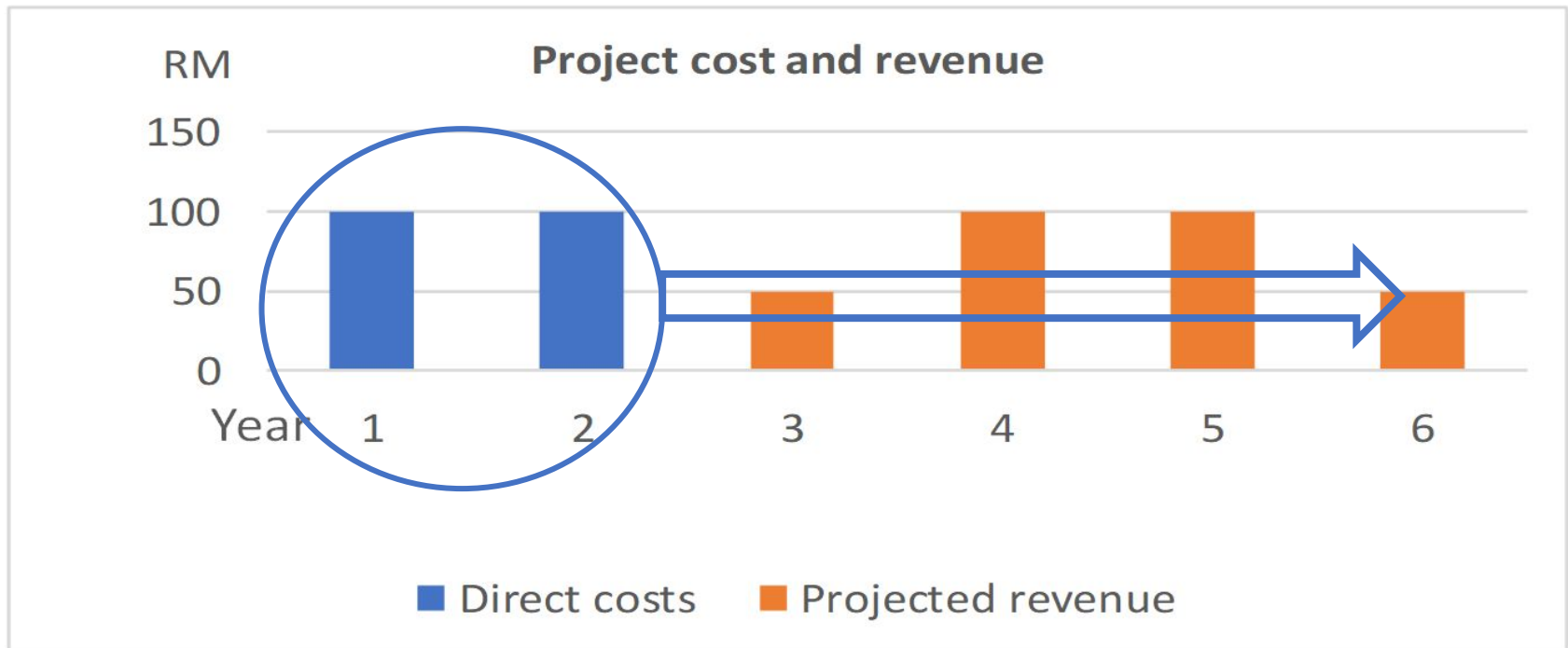


ACCOUNTING FOR INTANGIBLES

Accounting for Intangibles with finite life

Accounting for Intangibles with finite life

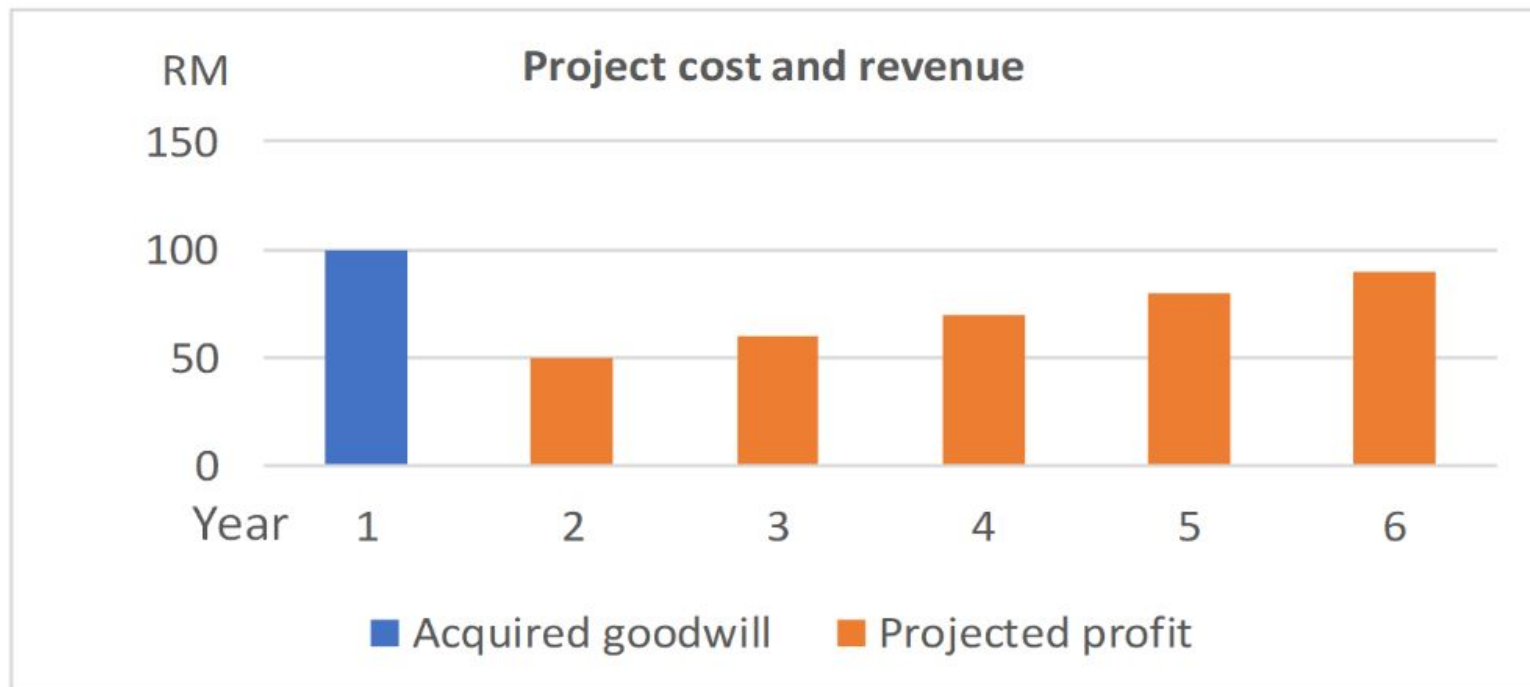
Year	1	2	3	4	5	6	Total
Direct costs	100	100					200
Projected revenue			50	100	100	50	<u>300</u>
Net income							<u>100</u>



Accounting for Intangibles with indefinite life

Accounting for Intangibles with indefinite life

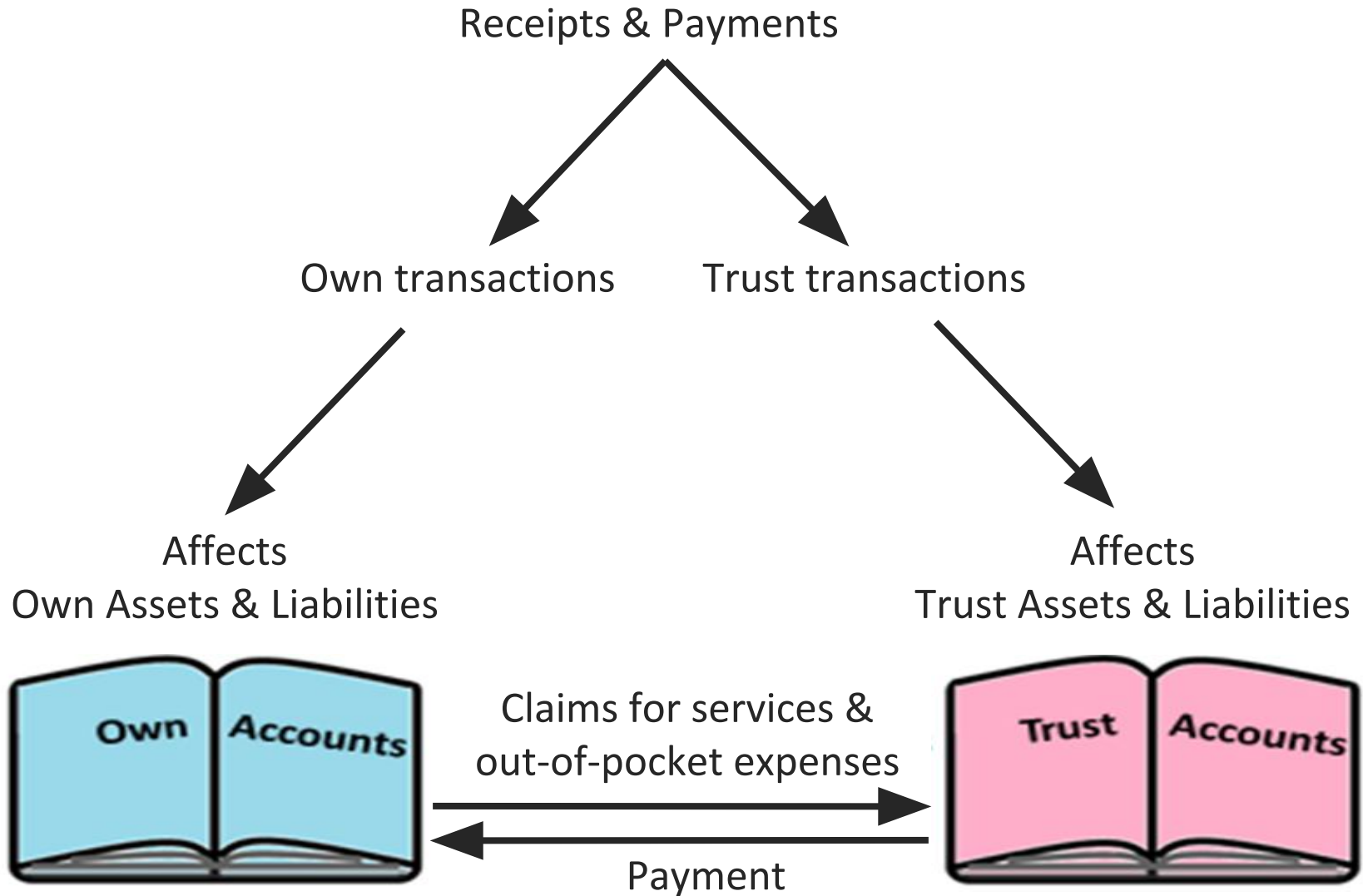
Year	1	2	3	4	5	6	Total
Acquired goodwill	100						100
Projected profit		50	60	70	80	90	350



A close-up photograph of a person's hand in a blue suit sleeve, holding a silver pen and pointing at a black calculator. The calculator is on a desk with various financial documents, including spreadsheets and charts. The background is blurred, showing another person's hand in a similar suit sleeve. The overall scene suggests a professional accounting or financial setting.

TRUST ACCOUNTING – NEVER EVER MIX TRUST FUNDS WITH OWN FUNDS

Trust Accounting



CONTINGENCIES ACCOUNTING

Contingent Assets & Liabilities

Contingency arises from a past event

that can only crystallise (be determined) in the future



01 Contingent Asset

not to recognise but to disclose in Note to Financial Statements if probable

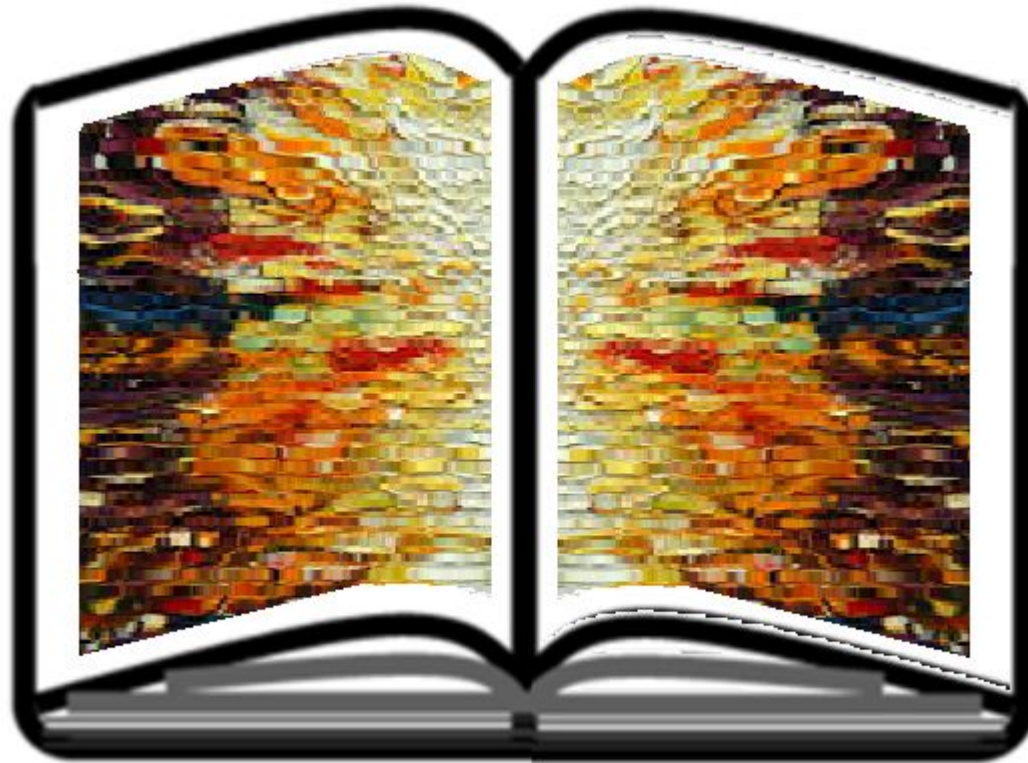
02 Contingent Liability

recognise as liability only if obligation has arisen, claim is probable and can be reliably estimated

03 Contingent Liability

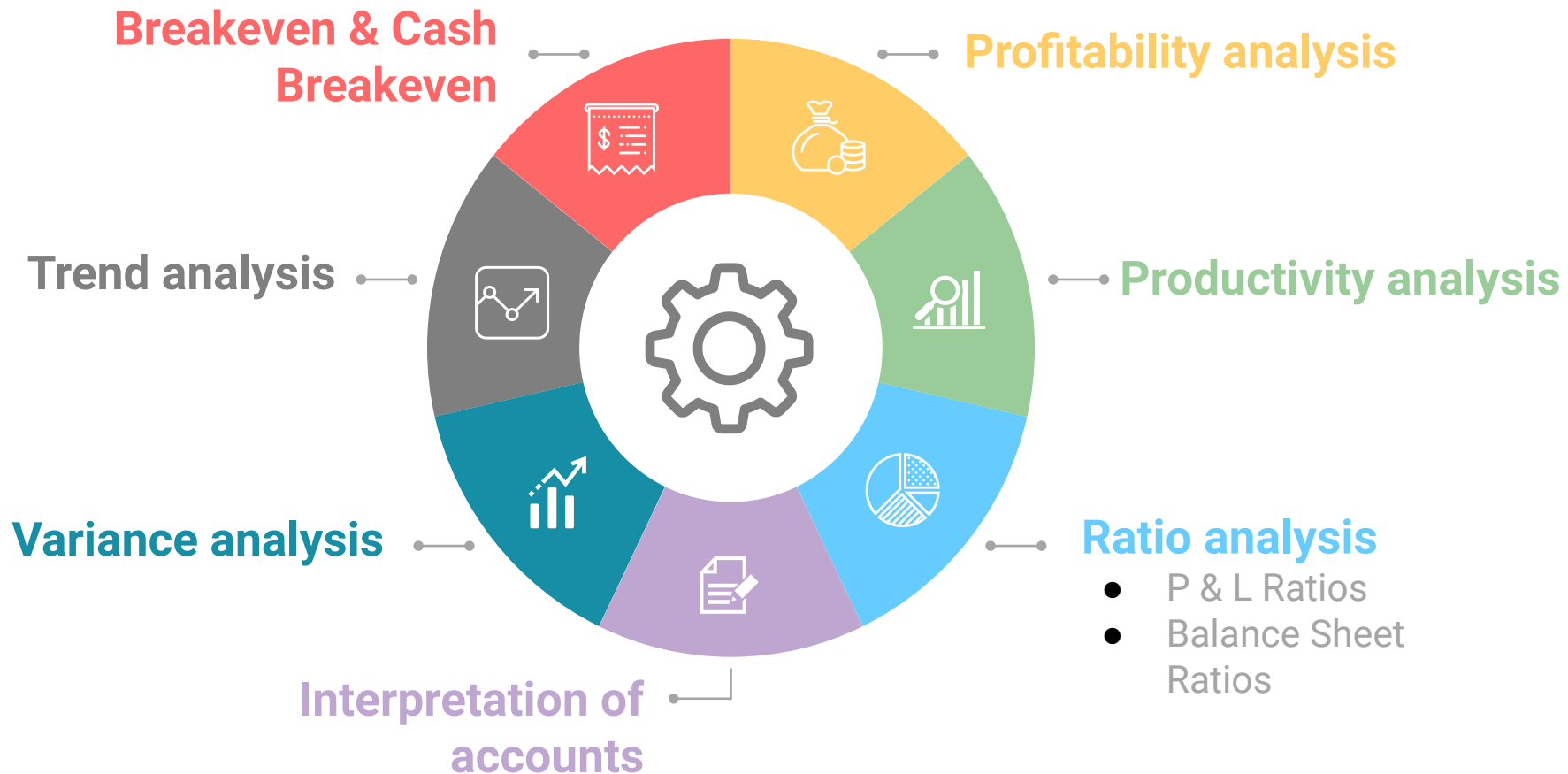
otherwise disclose as Note to Financial Statements

Figures tell a story and they do not lie



Management Tools

Management Tools



Interpretation of Accounts

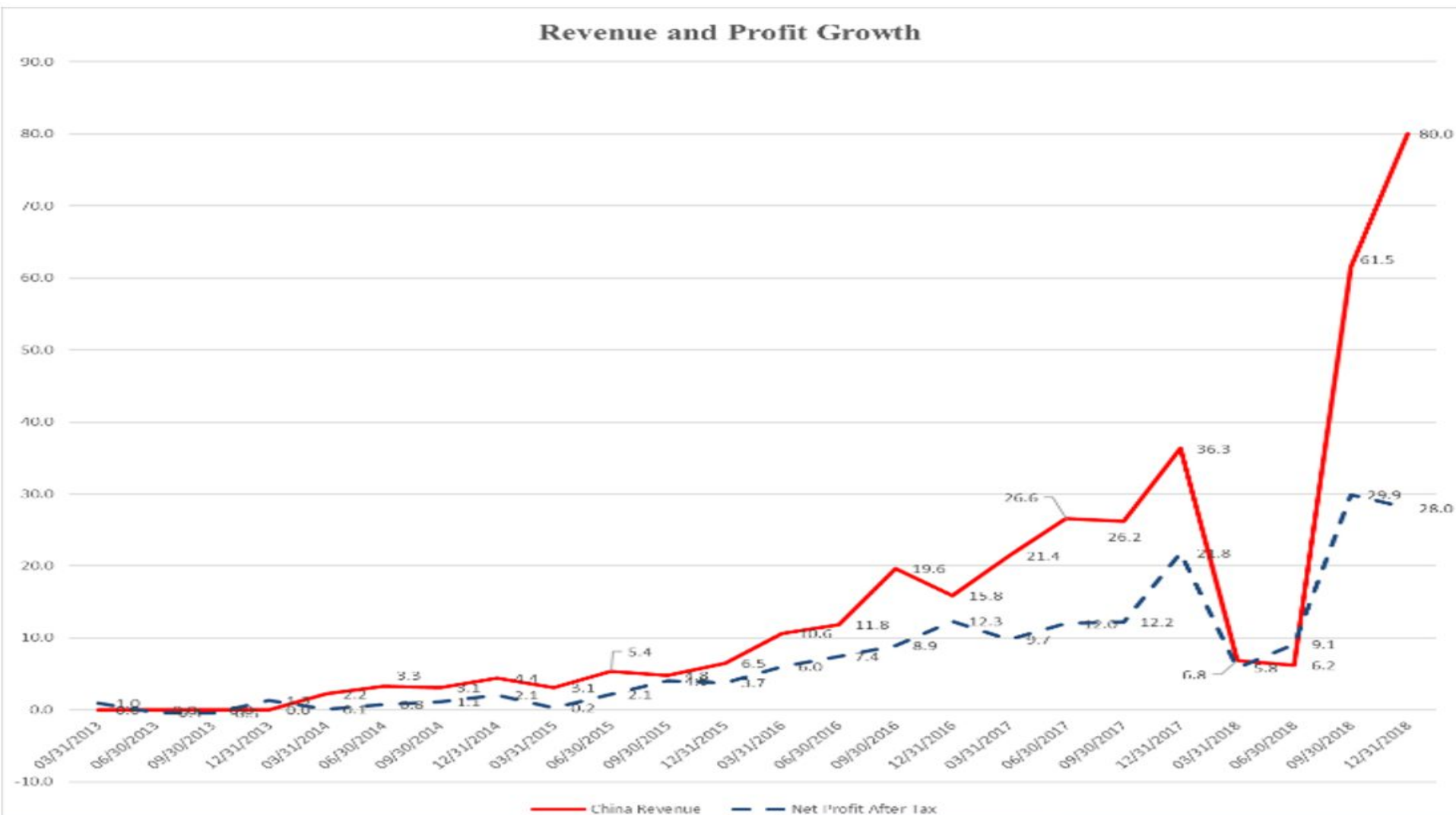
Interpretation of Accounts

	NOTE	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
REVENUE	33	588,890	638,563	-	-
COST OF SALES		(508,303)	(579,520)	-	-
GROSS PROFIT		80,587	59,043	-	-
GP %		13.7%	9.2%		
OTHER INCOME		2,842	4,405	5,221	6,745
		83,429	63,448	5,221	6,745
ADVERTISING AND PROMOTION EXPENSES		(3,394)	(3,780)	-	-
ADMINISTRATIVE EXPENSES		(23,492)	(20,485)	(3,362)	(3,741)
SELLING AND DISTRIBUTION EXPENSES		(43,402)	(48,472)	-	-
OTHER EXPENSES		(4,430)	(5,142)	-	-
PROFIT/(LOSS) FROM OPERATIONS		8,711	(14,431)	1,859	3,004
FINANCE COSTS		(7,275)	(8,703)	(4,020)	(4,974)
PROFIT/(LOSS) BEFORE TAXATION	34	1,436	(23,134)	(2,161)	(1,970)
INCOME TAX EXPENSE	35	(3)	1,859	(3)	1,239
PROFIT/(LOSS) AFTER TAXATION		1,433	(21,275)	(2,164)	(731)
ATTRIBUTABLE TO:-					
Equity holders of the Company		1,439	(21,209)	(2,164)	(731)
Minority interests		(6)	(66)	-	-
		1,433	(21,275)	(2,164)	(731)

Interpretation of Accounts

	<u>2002</u>	+%	<u>2003</u>	+%	<u>2004</u>	+%	<u>2005</u>	+%	<u>2006</u>
Revenue	219,278	32	289,169	20	346,180	59	550,078	80	989,191
Profit before tax	43,508	51	65,526	32	86,620	38	119,929	72	206,734
Total assets	605,780	8	653,934	67	1,088,909	88	2,044,742	9	2,236,650
Fixed assets	445,519	7	475,443	25	595,072	163	1,565,807	-1	1,548,170
Receivables	75,129	-4	72,392	46	105,771	5	111,113	243	381,247
Revenue/Receivables (days)	125		91		112		74		141

Interpretation of Accounts



Interpretation of Accounts

Consolidated statement of profit or loss and other comprehensive income for the financial year ended 30 June 2015

	Note	Financial year ended 30 June 2015 RMB'000	Financial year ended 30 June 2014 RMB'000
Revenue	3	1,292,858	1,229,418
Cost of sales		(824,449)	(611,442)
Gross profit		468,409	417,976
Other income	3	50,671	6,905
Selling and distribution expenses		(142,908)	(126,404)
Administrative expenses		(49,191)	(55,043)
Finance costs	14	(1,067)	(986)
Profit before tax	15	325,914	242,448
Tax expense	16	(75,378)	(65,808)
Profit for the financial year attributable to owners of the Company		250,536	176,640

Consolidated statement of financial position as at 30 June 2015

	Note	30 June 2015 RMB'000	30 June 2014 RMB'000
ASSETS			
Non-current assets			
Land use rights	4	12,707	12,990
Property, plant and equipment	5	250,419	251,612
		263,126	264,602
Current assets			
Inventories	6	44,055	42,259
Trade and other receivables	7	253,536	356,401
Cash and bank balances	8	1,456,947	1,156,243
		1,754,538	1,554,903
Total assets		2,017,664	1,819,505
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	9	230,886	230,886
Reserves	10	1,690,525	1,496,571
Total equity		1,921,411	1,727,457
Non-current liability			
Deferred tax liability	11	3,233	3,237
Current liabilities			
Trade and other payables	12	68,017	58,301
Borrowings	13	18,000	18,000
Current tax payable		7,003	12,510
		93,020	88,811
Total liabilities		96,253	92,048
Total equity and liabilities		2,017,664	1,819,505

Interpretation of Accounts

	6 months Ended 31.3.19 \$'000	6 months Ended 31.3.18 \$'000	Change %
Revenue	230,623	137,074	68
Cost of Sales	165,217	100,960	64
Gross Profit	65,406	36,114	81
GP %	28%	26%	
Profit Before Tax	6,205	3,606	42
Cash & Bank	8,843	19,710	-123
Receivables	322,476	286,387	13
Inventories	20,750	26,891	-23

Interpretation of Accounts

	6 months to		
	30.6.2019	30.6.2018	Change
	\$'000	\$'000	%
Revenue	151,671	57,631	163
Cost of sales	34,882	16,112	116
Gross Profit	116,789	41,519	181
Gross Profit %	77%	72%	7
Profit Before Tax	49,588	17,939	176
Cash & Bank balances	195,457	90,085	117

Interpretation of Accounts

Millions	<u>2017</u>	<u>%</u>	<u>2016</u>	<u>1997</u>
Sales	1,958	17%	1,668	959
PBT	228	9%	210	-6
USD:RM (average) on 80% export	4.20		4.00	2.60

U.S. DOLLAR / MALAYSIAN RINGGIT - M - IDC ▾
O4.1320 H4.1575 L4.1320 C4.1570 +0.0250 (+0.61%)

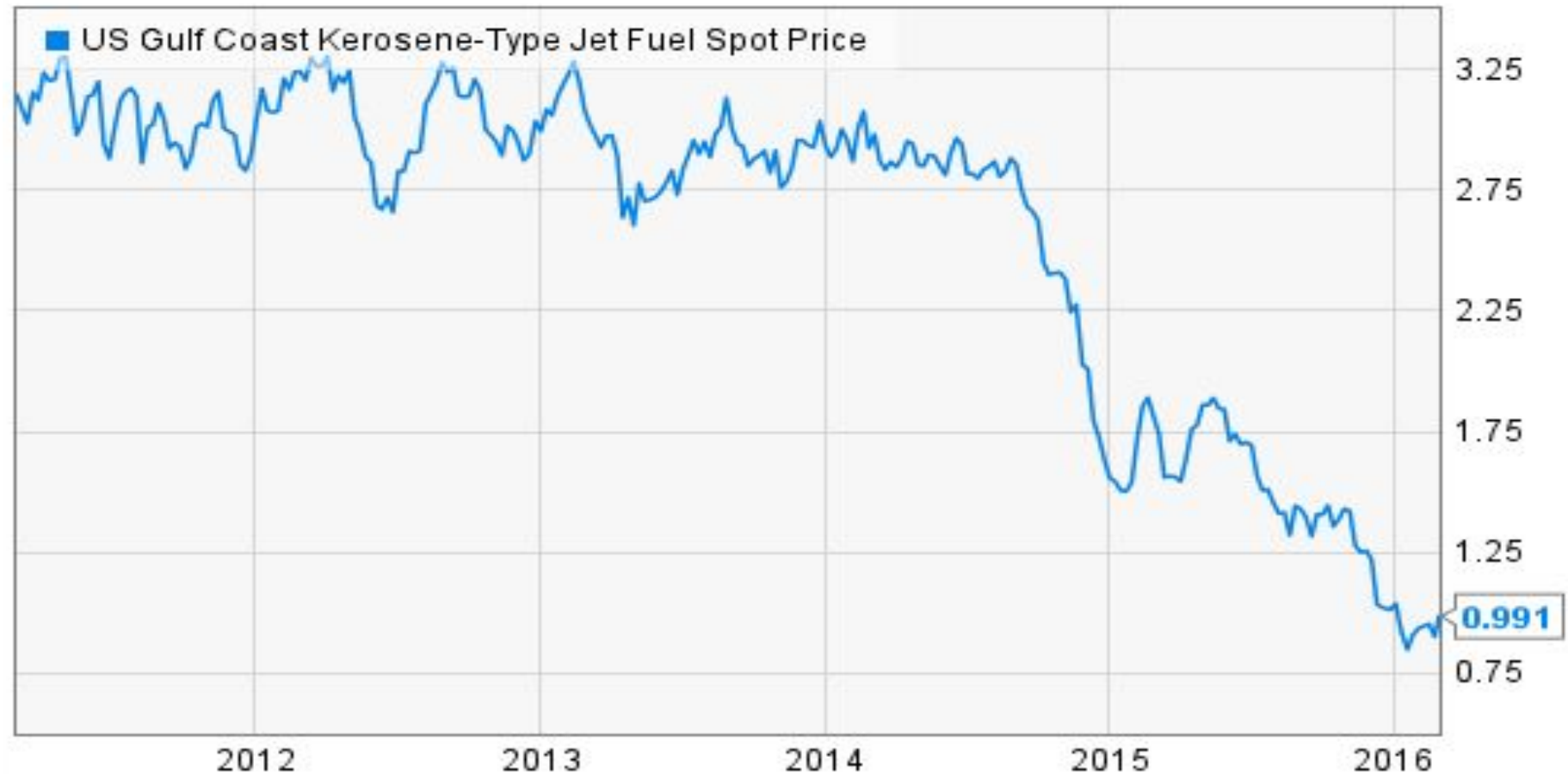
● Market Closed



Interpretation of Accounts

Millions	<u>2016</u>		<u>2015</u>		<u>2014</u>
Sales	16,200	2%	15816	3%	15352
PBT	1,424	80%	789	120%	-3976

Jet Fuel Prices - 5 Years



Interpretation of Accounts

Millions	<u>2016</u>		<u>2015</u>		<u>2014</u>
Sales	16,200	2%	15816	3%	15352
PBT	1,424	80%	789	120%	-3976
Jet Fuel Price	1.2		2.3		2.8
Savings in fuel	1,530		595		0



**The End ...
Thank You !!!!**

