



DFID Financial Sector Deepening Uganda Project



**PRESENTS A
Training Course in Fundamentals
of Accounting One for Micro
NEBBI TOWN 13TH –17TH FEB 2006**



Trainers and Consultants

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Overview of FFAP 1-Introduction

Definition of Accounting

- 3 key words
- Measurement
- Communicating information
- Economic information



Overview of FFAP 1-Introduction

Types of Accounting

- Financial Accounting
- Cost Accounting
- Management Accounting
- Public Accounting
- Government Accounting
- Social responsibility Accounting



Overview of FFAP 1-Introduction

Importance of accounting

- **Provide information for decision making**
- **Helps in planning e.g. Budgets**
- **Helps in evaluation of the organisation**
- **Accounts make tax assessments easy**
- **May be a regulatory requirement**
- **Eases monitoring of debtors and creditors**



Overview of FFAP 1-Introduction

Importance of accounting to MFIs

- MFI is like any other organisation
- Decision making
- Evaluation of performance
- Tax assessment
- Monitoring debtors and creditors
- Regulatory in tier 4 MFIs and NGOs



Overview of FFAP 1-Introduction

Users of accounting information

- **Management**
- **Shareholders**
- **Creditors**
- **Government**
- **Donors**



Overview of FFAP 1-Introduction

Accounting policies/Concepts

- Accounting principle
- Accounting policy
- Accounting standard
- Accounting base



Overview of FFAP 1-Introduction

Accounting policies/Concepts

- What is an accounting principle?
- Basic ground rules, which;
- Must be followed
- When preparing financial accounts



Overview of FFAP 1-Introduction

Accounting policies/Concepts

- What is an accounting policy?
- Accounting bases that have been selected by management to be appropriate for the organisation.



Overview of FFAP 1-Introduction

Accounting policies/Concepts

- What is an accounting standard?
- “Guidelines or rules issued by professional accounting bodies governing accounting practice in an area or country”



Overview of FFAP 1-Introduction

Accounting policies/Concepts

- What is an Accounting Base?
- “Methods developed for applying accounting concepts/ principles to financial transactions”
- They are accounting treatments



Overview of FFAP 1-Introduction

Accounting policies/Concepts

- Accounting Standards vs Accounting policy?
- Standard overrides
- (Standards prevail over policy)



Overview of FFAP 1-Introduction

Accounting principles

- Two categories of accounting principles
- Fundamental Accounting principles
- Other Accounting principles



Overview of FFAP 1-Introduction

Accounting principles

- Two Fundamental Accounting principles/concepts
- Going Concern concept
- Accrual concept



Overview of FFAP 1-Introduction

Accounting principles

- Other Accounting Concepts
- Money Measurement Concept
- Business Entity Concept
- Prudence Concept
- Consistency Concept
- Dual Aspect Concept
- Matching Concept



Overview of FFAP 1-Introduction

Accounting principles

- Other Accounting Concepts
- Substance over form Concept
- Realisation Concept
- Materiality concept
- Relevance Concept



Overview of FFAP 1-Introduction Accounting Equation

- What is the Accounting Equation?
- Very simple idea
- (Assets = Capital + Liabilities)



Overview of FFAP 1-Introduction

Accounting Equation

- What are Assets?
- Resources owned by the organisation that aid in the income generation process or facilitate operation
- Anything of economic value owned by the organisation or individual is an asset



Overview of FFAP 1-Introduction Accounting Equation

What are Liabilities?

- Obligations that are to be discharged or repaid



Overview of FFAP 1-Introduction Accounting Equation

- What is Capital?
- Owners funds or resources invested by the owner in the organisation
- Claims of the owners of the business



Overview of FFAP 1-Introduction

Double Entry book keeping

- Meaning of Double Entry
- In Financial accounting, every transaction is recorded twice
- A side that “receives” and another that “gives”



Overview of FFAP 1-Introduction

Double Entry book keeping

- Key rules of Double Entry
- 3 Basic rules about recording transactions in a double entry system



Overview of FFAP 1-Introduction

Double Entry book keeping

- Debit “receiver” and credit “giver”
- Debit what comes in and credit what goes out
- Debit all expenses (and losses) and credit all incomes and gains



Overview of FFAP 1-Introduction

Double Entry book keeping

- The T account principles
- Debit
- Credit



Overview of FFAP 1-Introduction

Double Entry book keeping

Type of accounts	Increase	Decrease	Normal Balance
Asset	Debit (Dr)	Credit (Cr)	Debit (Dr)
Liability	Cr	Dr	Cr
Capital & reserves	Cr	Dr	Cr
Income	Cr	Dr	Cr
Expense	Dr	Cr	Dr



Overview of FFAP 1-Introduction Accounting Cycle

- What is the accounting cycle?
- “Process which is followed by accountants and book keepers in processing raw financial data into Financial Statements”



Overview of FFAP 1-Introduction Accounting Cycle

- Stages in the accounting cycle
- Six stages
- Occurrence and documentation of business transactions
- Entering transactions into Journals
- Posting to the ledgers



Overview of FFAP 1-Introduction Accounting Cycle

- Stages in the accounting cycle
- Preparation of the Trial Balance
- End of year adjustments and preparation of Financial Statements (F/S)
- Analysis and Interpretation of Financial Statements



Overview of FFAP 1-Introduction Recording of Transactions in a typical MFI

- Cash Books
- Records cheque and cash transactions
- Format of cash book
- Two column cash book
- Petty cash book



Overview of FFAP 1-Introduction Recording of Transactions in a typical MFI

- Detailed recording is done in subsidiary ledgers
- Subsidiary ledgers include Debtors ledger, Creditors ledger, Private ledger and Cash Book



Overview of FFAP 1-Introduction Recording of Transactions in a typical MFI

- Ledgers can either:
- Be T accounts
- Or vertical formats with running balances
- Balancing/ closing off accounts



Overview of FFAP 1-Introduction

Accounting treatment for key transactions in MFIs

- Customer Deposits
- Necessary Books
- Customer withdrawals



Overview of FFAP 1-Introduction Fixed Assets/Non Current Assets

- Assets acquired for retention by an MFI for the purpose of providing services to the business
- Not held for sale in the normal course
- Entries passed:
- Dr Fixed Asset A/C
- Cr Cash/Bank



Overview of FFAP 1-Introduction Fixed Assets/Non Current Assets

- Fixed Asset Depreciation
- What is Depreciation?
- Systematic allocation of depreciable amount of an asset over its useful life



Overview of FFAP 1-Introduction Fixed Assets/Non Current Assets

- Methods of charging Depreciation
- Straight Line Basis - uniform depreciation charges every year
- Declining Balance – Depreciation is charged on Written Down Value (WDV) of previous year



Overview of FFAP 1-Introduction Fixed Assets/Non Current Assets

- Disposal of Assets
- Disposal can be:
- Sale of Asset
- Write off
- 3 Sets of entries:
- Dr Fixed Assets (Cost)
- Cr Fixed Asset A/C (Cost)



Overview of FFAP 1-Introduction Fixed Assets/Non Current Assets

- Dr Accumulated Depreciation with Accumulated depreciation
- Cr Fixed Asset Disposal A/C

- Dr Cash or Bank (Proceeds)
- Cr Fixed Asset Disposal A/C



Overview of FFAP 1-Introduction Fixed Assets/Non Current Assets

- Revaluation of Fixed Assets
- Assessing of Current Value of the Asset
- Done by professional valuers
- But can also be done by management



Overview of FFAP 1-Introduction Fixed Assets/Non Current Assets

- Valuer's amount – Carrying amount = Revaluation amount
- Entries include:
- Dr Fixed Asset (revaluation amount)
- Cr Revenue Reserves



Overview of FFAP 1-Introduction Fixed Assets/Non Current

- Other revaluation issues
- Requirement of IFRS 16
- Revaluation can be reversed
- Revaluation losses
- Depreciation after revaluation
- Revaluation may increase useful life
- Treatment of revaluation reserves



Overview of FFAP 1-Introduction Fixed Assets/Non Current

- What is a fully depreciated Asset?
- Not depreciated any further
- But still exists with MFI
- Maintain them at Nominal value, say, Shs 99 or Shs 1000



Overview of FFAP 1-Introduction Fixed Assets/Non Current

- What is a Fixed Asset register?
- Record of details of all Fixed Assets
- Is the Fixed Asset register necessary to an MFI?



Overview of FFAP 1-Introduction Fixed Assets/Non Current

- Helps to record:
- Nature of Asset
- Serial Numbers
- Historical Cost
- Date of acquisition
- Location/ user
- Useful Life
- Depreciation Details



Overview of FFAP 1-Introduction Fixed Assets/Non Current

- Fixed Asset Controls
- Regularly check for existence
- Engrave assets with unique identification marks
- Determine the conditions
- Control Assets' movement
- Institute physical controls



Overview of FFAP 1-Introduction

Trial Balance

- What is a Trial Balance?
- List of Balances – Credit and Debit balances
- T.B tests accuracy of Double Entry



Overview of FFAP 1-Introduction

Trial Balance

- Errors Detected by the Trial Balance
- Arithmetic Errors
- Wrong Additions and Subtractions
- The TB will fail to balance because of Arithmetic Errors



Overview of FFAP 1-Introduction

Trial Balance

- Errors not affecting the Trial Balance Agreement
- Errors of original entry
- Errors of Commission (Fraud indicator)
- Errors of Principle
- Compensating Errors
- Complete reversal of Entries
- Transposition Errors



Overview of FFAP 1-Introduction Trial Balance

- How do we correct Errors?
- Prepare Journal entries
- Post Journal entries to Ledgers
- Check Additions and Subtractions again



THE WORK SHEET

- What is a Work Sheet?
- An extension of the Trial Balance



THE WORK SHEET

- What does it include?
- Unadjusted Trial Balance
- Adjustments
- Adjusted Trial Balance
- Income Statement
- Balance Sheet
- Not part of permanent accounting records
- Not a formal Financial Statement



THE WORK SHEET

- Why prepare a Work Sheet?
- Enables accountants make adjustments to figures in it
- Provides assurance of period-end accounting procedures
- Source document for formal Financial Statements
- Shows Debits and Credits in formal Financial Statements



THE WORK SHEET

- Preparation of a Work Sheet
- Using details in Exercise 1, prepare a Work Sheet for TK company



THE WORK SHEET

- Reminders:
- T.B is a list of Debit and Credit balances extracted from ledgers
- Debit Balance-Total debits on A/C exceed total credits
- Bal b/f is on debit side while bal c/f is on credit side
- Credit Balance- Total credits on A/C exceed total debits
- Bal b/f is on credit side while bal c/f is on debit side



THE WORK SHEET

- Reminders:
- All assets except bank overdrafts have debit balances
- All expenses and Drawings have debit balances
- All assets (except bank overdrafts) ,expenses and drawings appear on debit side of TB



THE WORK SHEET

- Reminders:
- Accounts which should have credit balances include:
 - Revenues/Incomes
 - Capital & Reserves
 - Liabilities
- Accounts expected to appear on credit side of TB



THE WORK SHEET

- Reminders:
- TB checks accuracy of A/C
- Especially observance of double entry rule and arithmetic accuracy
- If TB fails to balance by an immaterial figure, introduce suspense A/C



THE WORK SHEET

- Reminders:
- Errors not detected by TB
- Errors of original entry
- Errors of Omission
- Errors of Commission
- Compensating errors
- Errors of Principle
- Complete reversal of entries



THE WORK SHEET

- Reminders:
- Final accounts are prepared from adjusted TB
- A Work sheet is an extended TB
- Work sheet reflects year-end adjustments
- It shows whether Final accounts will balance



THE WORK SHEET

- TK adjustments

Account	TB		Adj		Adj TB
	Dr	Cr	Dr	Cr	
Acc dep M/V	2,000,000		2,000,000		4,000,000



THE WORK SHEET

- TK adjustments

Account	TB		Adj		Adj TB
	Dr	Cr	Dr	Cr	
Acc dep Equip	4,000,000		4,000,000		8,000,000



THE WORK SHEET

- TK adjustments

Account	TB		Adj		Adj TB
	Dr	Cr	Dr	Cr	
Prov for B/D	2,000,000		1,000,000		3,000,000



THE WORK SHEET

- TK adjustments

Account	TB		Adj		Adj TB
	Dr	Cr	Dr	Cr	
Salaries	8,000,000		2,000,000		10,000,000



THE WORK SHEET

- TK adjustments

Account	TB		Adj		Adj TB
	Dr	Cr	Dr	Cr	
Salaries payable		15,000,000		2,000,000	17,000,000



THE WORK SHEET

- TK adjustments

Account	TB		Adj		Adj TB
	Dr	Cr	Dr	Cr	
Rent	1,800,000			900,000	900,000



THE WORK SHEET

- TK adjustments

Account	TB		Adj		Adj TB
	Dr	Cr	Dr	Cr	
Bad debts	1,200,000		1,000,000		2,200,000



THE WORK SHEET

- TK adjustments

Account	TB		Adj		Adj TB
	Dr	Cr	Dr	Cr	
Prepaid rent	0		900,000		900,000



THE WORK SHEET

- TK adjustments

Account	TB		Adj		Adj TB
	Dr	Cr	Dr	Cr	
Dep exp M/V	0		2,000,000		2,000,000



THE WORK SHEET

- TK adjustments

Account	TB		Adj		Adj TB
	Dr	Cr	Dr	Cr	
Dep exp	0		4,000,000		4,000,000
Equip					



Preparation of Final Accounts (F/S) Income Statement

- Key Components
- Sales/Revenue/Income
- Cost of Sales
- Gross Profit
- Other income
- Distribution Expenses
- Administration Expenses
- Operating Expenses



Preparation of Final Accounts (F/S) Income Statement

- Net Profit before tax
- Provision for Corporation tax
- Add Retained Earnings b/f
- Appropriations:
- Proposed dividends
- Transfers to reserves
- Cumulative retained earnings c/f



Preparation of Final Accounts (F/S) Balance Sheet

- Key Components
- Fixed/Non Current Assets
- Current Assets
- Total Assets
- Equity and Liabilities
- Capital & Reserves
- Share/Owners' equity



Preparation of Final Accounts (F/S) Balance Sheet

- Retained Earnings
- Non- Current/ Long term Liabilities
- Current Liabilities
- Total Capital and Liabilities



Preparation of Final Accounts (F/S)

- Exercise 2:
- Use information provided to prepare:
- Journal Entries for all adjustments
- Income Statement and Balance Sheet for Seed Co Ltd



Preparation of Final Accounts

Control Accounts

- What is a Control Account?
- A Summary account
- Also referred to as “total” accounts
- Balance should reconcile to individual ledgers



Preparation of Final Accounts

Control Accounts

- Examples of Control Accounts:
- Debtors (Sales) Control Account
- Creditors (Purchases) Control Account
- Savings Control Account
- Loans Control Account



Preparation of Final Accounts

Control Accounts

- Why Control Accounts?
- Location of errors
- Detection of fraud
- Enhancing Management Efficiency
- Determination of Credit sales & Credit purchases
- Entries in Control Accounts



Preparation of Final Accounts

Control Accounts

- Location of Errors
- Balance on control account should reconcile to individual subsidiary ledgers
- Will not reconcile if errors exist



Preparation of Final Accounts Control Accounts

- Detection of Fraud
- Easy to detect manipulation of accounts
- Under control of senior official
- Non reconciliation is an indicator of fraud
- Control accounts strengthen internal control



Preparation of Final Accounts Control Accounts

- Enhancing Management Efficiency
- Creditors and debtors balances can be obtained at first glance
- Time saving



Preparation of Final Accounts

Control Accounts

- Determination of Credit sales & Credit purchases
- Figures always missing in:
- Single entry and incomplete records, and
- Receipts & Payments accounts
- Obtained from Control Accounts



Preparation of Final Accounts

Control Accounts

- Entries in Control Accounts
- Control accounts exist for other transactions and records



Preparation of Final Accounts Control Accounts

- Example:
- Use the given information to draw up Debtors' and Creditors' control accounts for Mugasa Company Ltd



Preparation of Final Accounts

Control Accounts

- Debtors' bal 1/1/05
- Creditors' bal 1/1/05
- Cash paid to suppliers
- Cash received from debtors
- 4,000,000
- 2,500,000
- 16,000,000
- 25,000,000



Preparation of Final Accounts

Control Accounts

- Credit purchases
- Discount received
- Bad debts written off
- Sales returns
- 17,000,000
- 500,000
- 100,000
- 200,000



Preparation of Final Accounts

Control Accounts

- Purchases returns
- Debtors cheque dishonoured
- Discount allowed
- Credit sales
- 300,000
- 150,000
- 700,000
- 30,000,000



Preparation of Final Accounts

Control Accounts

- Example:
- You are required to draw up debtors and creditors control accounts



Preparation of Final Accounts

Control Accounts-Debtors control

- Bal b/f
 - Debtors cheque
 - (Dishonoured)
 - Credit sales
- 4,000,000
 - 150,000
 - 30,000,000
 - 34,150,000



Preparation of Final Accounts

Control Accounts-Debtors control

- Cash
- Bad debts written off
- Sales returns
- Discount allowed
- Bal c/d
- 25,000,000
- 100,000
- 200,000
- 700,000
- 8,150,000
- 34,150,000



Preparation of Final Accounts

Control Accounts-Creditors control

- Cash paid to suppliers
- Discount received
- Purchase returns
- Bal c/d
- 16,000,000
- 500,000
- 300,000
- 2,700,000
- 19,500,000



Preparation of Final Accounts

Control Accounts-Creditors control

- Bal b/d
- Credit purchases
- 2,500,000
- 17,000,000
- 19,500,000



Preparation of Final Accounts Control Accounts

- Exercise 3
- Use the information provided to:
- Prepare control accounts
- Make corrections to the control accounts of Mosa company Limited



Preparation of Final Accounts Control Accounts

- Savings Control Account
- Individual Ledgers Summary-Control a/c
- 10001 Member xxx
- 10002 Member xxx
- 10003 Member xxx



Preparation of Final Accounts Control Accounts

- Procedure:
- Divide the Savings ledgers into batches of sub ledgers
- Post daily withdrawals & deposits to pass books & Ledgers
- Summarise transactions that belong to each ledger on a day/transaction sheet



Preparation of Final Accounts Control Accounts

- Day/Transaction sheet
- Date...12/07/2006.....
Ledger No.....2.....

Account	Particulars	Debit	Credit
202	Turyamureba	50,000	
378	Royal Complex		700,000
TOTAL		50,000	700,000



Preparation of Final Accounts

Control Accounts

- Control A/c Savings Ledger 2

Date	Details	Debit	Credit	Balance CR
11 July 06				2,000,000
12 July 06	Day transaction	380,000	800,000	3,180,000
Etc				



Preparation of Final Accounts

Key Performance Measures

- Trend analysis
- Ratio analysis
- Comparative statement analysis
- Inter-Firm analysis



Preparation of Final Accounts

Key Performance Measures

- Trend Analysis:
- What is Trend Analysis?
- Analysis of direction of changes over a period of years, or
- Comparison of financial ratios over a period
- Also called “trend-percentage method”



Preparation of Final Accounts

Key Performance Measures

- Ratio Analysis:
- What is Ratio Analysis?
- Indicated quotient of two mathematical expressions, or
- Relationship between two or more accounting figures, expressed mathematically



Preparation of Final Accounts

Key Performance Measures

- Types of Ratios:
- Liquidity ratios
- Leverage ratios
- Activity ratios
- Profitability ratios



Preparation of Final Accounts

Key Performance Measures

- Liquidity ratios:
- Measure firm's ability to meet current obligations
- Examples of liquidity ratios include,
- Current ratio
- Quick ratio



Preparation of Final Accounts

Key Performance Measures

- Liquidity ratios:
- Current ratio = $\frac{\text{Current assets}}{\text{Current Liabilities}}$
- Quick ratio = $\frac{\text{Current assets} - \text{Inventories}}{\text{Current Liabilities}}$



Preparation of Final Accounts

Key Performance Measures

- Leverage Ratios:
- Show proportions of debt and equity in financing the firm's assets
- Examples:
- Debt ratio
- Debt – Equity ratio
- Interest cover



Preparation of Final Accounts

Key Performance Measures

- Debt ratio = $\frac{\text{Total Debt}}{\text{Capital employed}}$
- Debt – equity ratio = $\frac{\text{Capital employed}}{\text{Net Worth}}$
- Interest cover = $\frac{\text{EBIT}}{\text{Interest}}$



Preparation of Final Accounts

Key Performance Measures

- Activity Ratios:
- Reflect the firm's efficiency in utilising its assets
- Examples:
- Inventory turnover
- Debtors turnover
- Asset turnover



Preparation of Final Accounts

Key Performance Measures

- Inventory turnover = $\frac{\text{Cost of goods sold}}{\text{Average inventory}}$ or $\frac{\text{Sales}}{\text{Inventory}}$
-
-
-
- Days of inventory holdings = $\frac{\text{Inventory} \times 365}{\text{Sales}}$
-



Preparation of Final Accounts

Key Performance Measures

- Profitability ratios:
- Measure the overall performance and effectiveness of the firms
- Examples:
 - Gross and Net Profit Margins
 - Return on investment (R.O.I)
 - Earnings Yield



Preparation of Final Accounts

Key Performance Measures

- Gross Profit Margin = $\frac{\text{Gross Profit}}{\text{Sales}}$
- Net Profit Margin = $\frac{\text{Net Profit}}{\text{Sales}}$
- Return on investment = $\frac{\text{EBIT}}{\text{Total Assets}}$



Preparation of Final Accounts

Key Performance Measures

- Earnings Yield = $\frac{\text{Earnings per share}}{\text{Market value per share}}$
-



Preparation of Final Accounts

Key Performance Measures

- Example:
- Using information given, prepare,
- Trend Analysis
- Key financial ratios for 2004 for HYT Company Ltd



Preparation of Final Accounts

Key Performance Measures

	● 2003	2004
● Sales	● 2,338,900	2,825,690
● Cost of goods sold	● 1,929,040	2,322,800
● Gross Profit	● 409,860	502,890
● Selling & admn exp	● 239,720	262,100
● Operating income	● 170,140	240,790
● Other income	● 15,240	25,380
● EBIT	● 185,380	266,170



Preparation of Final Accounts

Key Performance Measures

	● 2003	2004
● Interest	● 59,840	124,980
● Provision for tax	● 41,790	30,000
● Profit after tax	● 83,750	111,190
● Share capital	● 225,000	225,000
● Reserves	● 286,130	357,950
● Net worth	● 511,130	582,950
● Long term debentures	● -	75,750
● Others	● 199,870	285,900



Preparation of Final Accounts

Key Performance Measures

	● 2003	2004
● Total Long term debt	● 199,870	361,650
● Short term borrowing	● 442,920	641,390
● Total borrowing	● 642,790	1,003,040
● Capital employed	● 1,153,920	1,585,990
● Total non current assets	● 546,700	663,620
● Total current assets (incl. inventories)	● 866,080	1,404,550



Preparation of Final Accounts

Key Performance Measures

	● 2003	2004
● Inventories	● 476,280	778,890
● Debtors	● 253,160	340,610
● Current Liabilities	● 258,860	482,180

Preparation of Final Accounts

Key Performance Measures

- ❑ Solution:
- ❑ Liquidity Ratios:
 - Current Ratio = $\frac{1,404,550}{482,180}$
 - = 2.9:1
 - Quick Ratio = $\frac{1,404,550 - 778,890}{482,180}$
 - = 1.3:1



Preparation of Final Accounts

Key Performance Measures

- Leverage Ratios:
- Debt Ratio = $\frac{1,003,040}{1,585,990}$
- = 0.63
- D/E Ratio = $\frac{1,585,990}{582,950}$
- = 2.7



Preparation of Final Accounts

Key Performance Measures

- Interest cover = $\frac{266,170}{124,980}$
= 2.13 times
- Activity Ratios:
- Inventory turn over = $\frac{2,322,800}{778,890}$
= 2.98 times



Preparation of Final Accounts

Key Performance Measures

- Debtors turn over = $\frac{2,825,690}{170,305}$
- = 16.6 times
- Note:
- Average debtors = $\frac{340,610}{2}$
- = 170,305



Preparation of Final Accounts

Key Performance Measures

- Asset turn over = $\frac{2,825,690}{(663,620 + 1,404,550)}$
- = $\frac{2,825,690}{2,068,170}$
- = 1.37 times
- Gross Profit = $\frac{502,890}{2,825,690}$
- = 0.178 or 17.8%



Preparation of Final Accounts

Key Performance Measures

- Net Profit margin = $\frac{111,190}{2,825,690}$
- = 0.039 or 3.9%
- Return on Investment = $\frac{266,170}{2,068,170}$
- = 0.129 or 12.9%



Preparation of Final Accounts

Key Performance Measures

- Trend Analysis:

	2003	2004
● Sales	100	$\frac{2,825,690}{2,338,900} \times 100$
●		= 120.8



Preparation of Final Accounts

Key Performance Measures

	2003	2004
• EBIT	100	$\frac{266,170}{185,380} \times 100$
•		= 143.6



Preparation of Final Accounts

Key Performance Measures

	2003	2004
● PAT	100	$\frac{111,190}{83,750} \times 100$
●		= 132.8



Preparation of Final Accounts

Key Performance Measures

	2003	2004
● Current assets	100	$\frac{1,404,550}{866,080} \times 100$
●		= 162.2



Preparation of Final Accounts

Key Performance Measures

	2003	2004
● Current Liabilities	100	$\frac{482,180}{258,860} \times 100$
●		= 186.3
●		



Preparation of Final Accounts

Key Performance Measures

	2003	2004
● Fixed assets	100	$\frac{663,620}{546,700} \times 100$
●		= 121.4



Preparation of Final Accounts

Key Performance Measures

- 2003 = 2004
- Total assets 100 = $(\underline{663,620 + 1,404,550})$
- $(546,700 + 866,080)$
- = $\underline{2,068,170}$
- 1,412,780
- = 146.4



Preparation of Final Accounts

Bank Reconciliation

- What is bank reconciliation?
- Process of bringing into agreement the balance as per cash book (bank column) and the balance as per bank statement



Preparation of Final Accounts

Bank Reconciliation

- What is the importance of Bank Reconciliation?
- Strengthens an organisation's internal control system
- Leads to accuracy in records



Preparation of Final Accounts

Bank Reconciliation

- Why is there discrepancy between cash book and bank statement balances?
- Direct debits e.g. bank charges, standing orders
- Direct credits e.g. interest received
- Un presented cheques
- Un credited cheques



Preparation of Final Accounts

Bank Reconciliation

- Discrepancies cont'd
- Clerical errors
- Dishonoured cheques
- Unrecorded items (intentional)



Preparation of Final Accounts

Bank Reconciliation

- Why should the bank dishonour a cheque?
- Insufficient funds (R/D)
- Amount in words and figures differ
- Signature on cheque different from specimen
- Cheque is stale
- No counter signature on alterations in words and figures



Preparation of Final Accounts

Bank Reconciliation

- No account title on cheque
- Payee's identity doubted
- Payment vouchers not attached (if a BoU cheque)



Preparation of Final Accounts

Bank Reconciliation

- Methods of Bank Reconciliation
- Cash book balance adjusted towards bank balance
- Bank balance adjusted towards cash book balance



Preparation of Final Accounts

Bank Reconciliation

- Example:
- The following is a cash book and bank statement for BTY Ltd for December 2005
- You are required to prepare a bank reconciliation statement for BTY Ltd for December 2005.



Preparation of Final Accounts

Bank Reconciliation

- | ● Date | Details | Amount | ● Date | Details | Amount |
|---------|---------|------------|---------|---------|------------|
| ● 1/12 | Bal b/f | 80,000,000 | ● 7/12 | Moses | 32,000,000 |
| ● 2/12 | Joel | 60,000,000 | ● 8/12 | Patra | 40,000,000 |
| ● 10/12 | Maria | 24,000,000 | ● 11/12 | Pam | 30,000,000 |
| ● 14/12 | Henry | 10,000,000 | ● 17/9 | Otto | 14,000,000 |
| | | | ● 28/12 | Jim | 6,000,000 |
| | | | ● 28/12 | Jack | 4,000,000 |



Preparation of Final Accounts

Bank Reconciliation

● 16/12 Jane	4,000,000	● 30/12 Jill	2,000,000
● 28/12 Pat	34,000,000	● 30/12 Stella	1,000,000
● 30/12 Kim	13,000,000	● 30/12 Peter	4,000,000
● 30/12 Sarah	<u>2,000,000</u>	● Bal c/f	<u>94,000,000</u>
● Total	<u>227,000,000</u>	● Total	<u>227,000,000</u>



Preparation of Final Accounts

Bank Reconciliation

Date	Details	Dr (Shs)	Cr (Shs)	Balance(Shs)
1/12	Bal b/f			80,000,000
5/12	Joel		60,000,000	140,000,000
8/12	Moses	32,000,000		108,000,000
10/12	Patra	40,000,000		68,000,000
13/12	Pam	30,000,000		38,000,000
14/12	Maria		24,000,000	62,000,000



Preparation of Final Accounts

Bank Reconciliation

Date	Details	Dr (Shs)	Cr (Shs)	Balance(Shs)
16/12	Henry		10,000,000	72,000,000
18/12	Otto	14,000,000		58,000,000
20/12	Lillian		18,000,000	76,000,000
25/12	Brenda	2,000,000		74,000,000
26/12	Grace		16,000,000	90,000,000
30/12	Bank charge	200,000		89,800,000



Preparation of Final Accounts

Bank Reconciliation

- Note:
- A cheque written to Jim on 28th December 2005, and one received from Jane and banked on 16th December 2005 were dishonoured by the bank.



Preparation of Final Accounts

Bank Reconciliation

- Solution:
- Method 1 – Adjusting cash book towards bank statement balance



Preparation of Final Accounts

Bank Reconciliation

● Bal b/f	94,000,000	● Jane	4,000,000
● Lillian	18,000,000	● Brenda	2,000,000
● Grace	16,000,000	● Bank charge	200,000
● Jim	<u>6,000,000</u>	● Bal c/f	<u>127,800,000</u>
● (Dishonoured cheque)			
● Total	<u>134,000,000</u>	● Total	<u>134,000,000</u>



Preparation of Final Accounts

Bank Reconciliation

- Bank reconciliation for the month of December 2005



Preparation of Final Accounts

Bank Reconciliation

	Shs	Shs
Bal as per adjusted cash book		127,800,000
Add: un presented cheques		
Jack	4,000,000	
Jill	2,000,000	
Stella	1,000,000	
Peter	<u>4,000,000</u>	11,000,000



Preparation of Final Accounts

Bank Reconciliation

		138,800,000
Less: un credited cheques		
Pat	34,000,000	
Kim	13,000,000	
Sarah	<u>2,000,000</u>	49,000,000
Bal as per bank statement		89,800,000



Preparation of Final Accounts

Bank Reconciliation

- Method 2:
- Bank statement balance adjusted towards the cash book balance



Preparation of Final Accounts

Bank Reconciliation

	Shs	Shs	Shs
Bal as per bank statement			89,800,000
Add: Direct debits			
Brenda	2,000,000		
Bank charges	<u>200,000</u>	2,200,000	
Un credited cheques:			



Preparation of Final Accounts

Bank Reconciliation

Pat	34,000,000		
Kim	13,000,000		
Sarah	<u>2,000,000</u>	49,000,000	
Dishonoured cheques			
Jane		<u>4,000,000</u>	<u>55,200,000</u>
			145,000,000



Preparation of Final Accounts

Bank Reconciliation

Less: Direct credits			
Lillian	18,000,000		
Grace	<u>16,000,000</u>	34,000,000	
Unpresented cheques:			
Jack	4,000,000		



Preparation of Final Accounts

Bank Reconciliation

Jill	2,000,000		
Stella	1,000,000		
Peter	<u>4,000,000</u>	11,000,000	
Dishonoured cheque			
Jim		<u>6,000,000</u>	<u>51,000,000</u>
Bal as per cash book			94,000,000



Preparation of Final Accounts (F/S) Cash Flow Statements

- What is a Cash Flow Statement?
- A Logical statement
- Summary of how **cash** flowed in and out of the business (MFI) during the reporting period



Preparation of Final Accounts (F/S) Cash Flow Statements

- Why Cash Flows?
- Assess ability to generate cash
- Show how the enterprise (MFI) utilised those Cash Flows
- Used to assess future Cash Flows
- Users can evaluate changes in Net Assets



Preparation of Final Accounts (F/S) Cash Flow Statements

- Major components of Cash Flow statements
- Cash Flows from operating activities
- Cash Flows from investing activities
- Cash Flows from financing activities



Preparation of Final Accounts (F/S) Cash Flow Statements

- Net increase or decrease in cash and cash equivalents
- Cash and cash equivalents at beginning of the period
- Cash and cash equivalents at end of the period



Preparation of Final Accounts (F/S) Cash Flow Statements

- What are operating activities?
- Principle revenue producing activities of an MFI
- Examples:
 - Cash receipts from sales
 - Other cash receipts
 - Cash payments
 - Cash to employees



Preparation of Final Accounts (F/S) Cash Flow Statements

- What are investing activities?
- Acquisitions and disposals of long term assets and other investments not included in cash equivalents
- Examples:
- Cash paid to acquire property



Preparation of Final Accounts (F/S) Cash Flow Statements

- What are Financing activities?
- Activities that result in changes in the size and composition of the entity's capital and borrowing
- Examples:
- Cash proceeds from issuing shares

Preparation of Final Accounts (F/S) Cash Flow Statements



- Exercise 3:
- Using information provided, prepare a Cash Flow statement for Underwriters Limited



International Accounting Standards (IASs) relevant to MFIs

- IAS 24- Related Parties
- Introduction
- The IAS is applied in identifying:
- Related party relationships & transactions
- Outstanding balances between an entity & its related party



International Accounting Standards (IASs) relevant to MFIs

- IAS 24- Related Parties
- Disclosures
- Determining disclosures to be made



International Accounting Standards (IASs) relevant to MFIs

- IAS 24- Related Parties
- Who is a related party?
- An entity that:
- Directly or indirectly controls another through intermediaries
- For example subsidiaries, associates or joint ventures



International Accounting Standards (IASs) relevant to MFIs

- IAS 24- Related Parties
- Who is a related party?
- An associate
- Who is an associate?
- Defined by IAS 28
- An entity whether incorporated or not, over which an investor has significant influence
- It is neither a subsidiary nor an interest in a joint venture



International Accounting Standards (IASs) relevant to MFIs

- IAS 24- Related Parties
- Who is a related party?
- A Joint Venture
- What is a Joint Venture?
- Defined in IAS 31
- A contractual arrangement where two or more parties undertake an economic activity subject to joint control



International Accounting Standards (IASs) relevant to MFIs

- IAS 24- Related Parties
- Who is a related party?
- A member of the key management personnel of the entity or its parent
- Close member of the family of member of management
- Post-employment benefit plan for the benefit of employees of entity or related party entity



International Accounting Standards (IASs) relevant to MFIs

- IAS 24- Related Parties
- What is a related party transaction?
- A transfer of resources, services or obligations between related parties, regardless of whether a price is charged



International Accounting Standards (IASs) relevant to MFIs

- IAS 24- Related Parties
- Who is a close family member?
- Expected to influence or be influenced by, an individual, in dealings with an entity. They include:
- Domestic partner and children
- Children of an individual's domestic partner
- Dependants of an individual or individual's domestic partner



International Accounting Standards (IASs) relevant to MFIs

- IAS 24- Related Parties
- What is compensation?
- All forms of consideration paid, payable or rendered to an entity
- Consideration paid on behalf of parent of entity in respect of the entity



International Accounting Standards (IASs) relevant to MFIs

- IAS 24- Related Parties
- What does compensation include?
- Short term employee benefits
- Post-employment benefits
- Other long term employee benefits
- Termination benefits
- Share based payment



International Accounting Standards (IASs) relevant to MFIs

- IAS 24- Related Parties
- Who is a key management personnel?
- Person having authority and responsibility for planning, directing and controlling the activities of the entity
- Control may be direct or indirect
- Includes any director whether executive or otherwise



International Accounting Standards (IASs) relevant to MFIs

- IAS 24- Related Parties
- Disclosure requirements
- They include:
- Relationships between parents and subsidiaries, whether related or not
- Compensation for key management personnel
- Benefits to key management personnel



International Accounting Standards (IASs) relevant to MFIs

- IAS 24- Related Parties
- Disclosure requirements cont'd
- Nature of related party relationship
- Information about transactions and outstanding balances
- Amounts of transactions and outstanding balances



International Accounting Standards (IASs) relevant to MFIs

- IAS 24- Related Parties
- Disclosure requirements cont'd
- Provisions for doubtful debts related to outstanding balances
- Expense of bad or doubtful debts recognised during the period



International Accounting Standards (IASs) relevant to MFIs

- IAS 24- Related Parties
- Note:
- Required disclosures should be made separately for parent, joint ventures, Subsidiaries, Associates, Key management personnel and other related parties.



International Accounting Standards (IASs) relevant to MFIs

- IAS 18 – Revenue
- The standard applies to revenue arising from:
 - Sale of goods
 - Rendering of services
 - Use (by others) of entity assets yielding interest, royalties and dividends



International Accounting Standards (IASs) relevant to MFIs

- IAS 18 – Revenue
- What is revenue?
- Gross inflow of economic activities
- During a period
- Arising in course of ordinary activities of entity
- Inflows result in increases in equity, other than contributions from equity participants



International Accounting Standards (IASs) relevant to MFIs

- IAS 18 – Revenue
- Recognition of revenue
- Criteria is different for revenue from goods, services, interest, royalties and dividends



International Accounting Standards (IASs) relevant to MFIs

- IAS 18 – Revenue
- When is revenue from sale of goods recognised?
- Entity has transferred, to the buyer, significant risks and rewards of ownership of goods
- Entity retains neither managerial involvement or effective control over goods sold



International Accounting Standards (IASs) relevant to MFIs

- IAS 18 – Revenue
- When is revenue from sale of goods recognised?
- Revenue can be measured reliably
- It's probable that economic benefits associated with transaction will flow to the entity
- Costs (to be) incurred on transaction can be measured reliably



International Accounting Standards (IASs) relevant to MFIs

- IAS 18 – Revenue
- When is revenue from rendering of services recognised?
- Amount of revenue can be measured reliably
- It's probable that economic benefits associated with the transaction will flow to the entity



International Accounting Standards (IASs) relevant to MFIs

- IAS 18 – Revenue
- When is revenue from rendering of services recognised?
- Stage of completion of transaction, at the balance sheet date, can be measured reliably
- Costs incurred on transaction and costs to complete transaction can be reliably measured



International Accounting Standards (IASs) relevant to MFIs

- IAS 18 – Revenue
- Note:
- When the outcome of the transaction involving rendering of services cannot be estimated reliably, revenue is recognised only to the extent of expenses recognised that are recoverable



International Accounting Standards (IASs) relevant to MFIs

- IAS 18 – Revenue
- When is revenue from interest, royalties and dividends recognised?
- It's probable that economic benefits associated with the entity will flow to the entity
- Amount of revenue can be measured reliably



International Accounting Standards (IASs) relevant to MFIs

- IAS 18 – Revenue
- What is the basis for recognising revenue from interest, royalties and dividends?
- Interest – Effective interest method (IAS 39)
- Royalties – Accrual basis
- Dividends – When shareholder's right to receive payment is established



International Accounting Standards (IASs) relevant to MFIs

- IAS 18 – Revenue
- Measurement of Revenue
- Revenue is measured at the Fair Value of the consideration received or receivable



International Accounting Standards (IASs) relevant to MFIs

- IAS 18 – Revenue
- What is Fair Value?
- Amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction



International Accounting Standards (IASs) relevant to MFIs

- IAS 18 – Revenue
- Disclosure requirements
- Accounting policies adopted for recognition of revenue
- Stage of completion in respect of services rendered
- Amount of revenue arising from exchange of goods or services included in each category



International Accounting Standards (IASs) relevant to MFIs

- IAS 18 – Revenue
- Disclosure requirements cont'd
- Amount of each significant category of revenue recognised e.g. revenue from:
 - Sale of goods
 - Rendering of services
 - Revenue from interest, royalties and dividends



International Accounting Standards (IASs) relevant to MFIs

- IAS 16 –Property, Plant and Equipment
- The standard is applied in accounting for Property, Plant and Equipment



International Accounting Standards (IASs) relevant to MFIs

- IAS 16 –Property, Plant and Equipment
- What is Property, Plant and Equipment?
- Tangible items held in the production or supply of goods or services, for rental to others, or for administrative purposes
- Expected to be used during more than one period



International Accounting Standards (IASs) relevant to MFIs

- IAS 16 –Property, Plant and Equipment
- When is Property, Plant and Equipment recognised?
- It's probable that future economic benefits associated with the item will flow to the entity
- Cost of item can be measured reliably



International Accounting Standards (IASs) relevant to MFIs

- IAS 16 –Property, Plant and Equipment
- Measurement of PPE at recognition
- An asset shall be measured at Cost



International Accounting Standards (IASs) relevant to MFIs

- IAS 16 –Property, Plant and Equipment
- What is Cost?
- Amount of cash or cash equivalents paid
- Fair Value of other consideration given to acquire asset at time of acquisition or construction
- Amount attributable to an asset when initially recognised in accordance with other IFRSs



International Accounting Standards (IASs) relevant to MFIs

- IAS 16 –Property, Plant and Equipment
- Measurement after initial recognition
- An entity chooses either Cost model or Revaluation model



International Accounting Standards (IASs) relevant to MFIs

- IAS 16 –Property, Plant and Equipment
- Cost model
- Items of PPE are carried at *cost* less accumulated *depreciation* and any accumulated *impairment*
- Impairment loss - amount by which carrying amount of an asset exceeds its recoverable amount



International Accounting Standards (IASs) relevant to MFIs

- IAS 16 –Property, Plant and Equipment
- Carrying amount – Amount at which an asset is recognised after deducting any acc depreciation and acc impairment
- Recoverable amount – Higher of Net Selling Price and its Value-in-use



International Accounting Standards (IASs) relevant to MFIs

- IAS 16 –Property, Plant and Equipment
- Revaluation model
- Item of PPE is measured at revalued amount if its fair value can be measured reliably
- Revalued amount = Fair Value – Subsequent acc depreciation – Subsequent acc impairment loss



International Accounting Standards (IASs) relevant to MFIs

- IAS 16 –Property, Plant and Equipment
- Revaluation model
- Note:
- Revaluations should be made with sufficient regularity so that carrying amount does not differ materially from fair value at balance sheet date.
- Revaluation should be done for entire class of assets



International Accounting Standards (IASs) relevant to MFIs

- IAS 16 –Property, Plant and Equipment
- De-recognition of PPE
- On disposal of PPE
- When no future economic benefits are expected from its use or disposal



International Accounting Standards (IASs) relevant to MFIs

- IAS 16 –Property, Plant and Equipment
- De-recognition of PPE
- Note:
- Gain or loss arising on derecognition of PPE is included in P&L for the year as other income and not classified as revenue



International Accounting Standards (IASs) relevant to MFIs

- IAS 16 –Property, Plant and Equipment
- Gain or Loss on disposal = Sales proceeds – Carrying amount



International Accounting Standards (IASs) relevant to MFIs

- Example:

PPE bought in 3rd Jan 2003 at a cost of Ushs 500,000 had a carrying amount of Ushs 200,000 by 24th Dec 2005. The PPE was sold for Ushs 270,000.

- What is the gain or loss on disposal?
- Show the accounting treatment for the above transaction.



International Accounting Standards (IASs) relevant to MFIs

- Solution:
- Gain or Loss = Sales/Disposal Proceeds – Carrying amount of PPE
- Gain = 70,000 (270,000 – 200,000)
- Accounting treatment
- Dr Cash/Bank 70,000
- Cr P&L 70,000



International Accounting Standards (IASs) relevant to MFIs

- Solution:
- Dr Asset disposal 200,000
- Cr PPE 200,000



International Accounting Standards (IASs) relevant to MFIs

- IAS 16 –Property, Plant and Equipment
- Disclosure requirements
- Measurement bases for determining gross carrying amount
- Depreciation methods used
- Useful lives or depreciation rates used



International Accounting Standards (IASs) relevant to MFIs

- IAS 16 –Property, Plant and Equipment
- Disclosure requirements cont'd
- Gross carrying amount, acc depreciation and acc impairment at beginning and end of period
- Reconciliation of carrying amount at beginning and end of period, showing:



International Accounting Standards (IASs) relevant to MFIs

- IAS 16 –Property, Plant and Equipment
- Disclosure requirements cont'd
- Additions
- Acquisitions through business combinations
- Assets held for sale or disposal (IFRS 5)
- Increases or decreases resulting from revaluation & impairment losses recognised or reversed directly in equity



International Accounting Standards (IASs) relevant to MFIs

- IAS 16 –Property, Plant and Equipment
- Disclosure requirements cont'd
- Impairment losses recognised in P&L
- Impairment losses reversed in P&L
- Depreciation
- Net exchange differences arising on translation of financial statements



International Accounting Standards (IASs) relevant to MFIs

- IAS 16 –Property, Plant and Equipment
- Disclosure requirements cont'd
- Existence and amounts of restrictions on title & PPE pledged as security for liabilities
- Amount of expenditure recognised in carrying amount of item of PPE in course of construction



International Accounting Standards (IASs) relevant to MFIs

- IAS 16 –Property, Plant and Equipment
- Disclosure requirements cont'd
- Amount of contractual commitments for acquisition of PPE
- Amount of compensation from third parties for items of PPE that were impaired, lost or given up, that is included in P&L



International Accounting Standards (IASs) relevant to MFIs

- IAS 16 –Property, Plant and Equipment
- Disclosure requirements cont'd
- For PPE stated at revalued amounts,
- Effective date of revaluation
- Whether an independent valuer was used
- Methods and significant assumptions were applied in estimating fair values



International Accounting Standards (IASs) relevant to MFIs

- IAS 16 –Property, Plant and Equipment
- Disclosure requirements cont'd
- Extent to which fair values were determined directly by reference to observable prices in an active market
- For each class of PPE, carrying amount that would have been recognised if assets were carried under the cost model



International Accounting Standards (IASs) relevant to MFIs

- IAS 16 –Property, Plant and Equipment
- Disclosure requirements cont'd
- Revaluation surplus, indicating change for the period and any restrictions on distribution of balance to shareholders



International Accounting Standards (IASs) relevant to MFIs

- IAS 1 – Presentation of Financial Statements
- Standard is applied to all general purpose financial statements prepared and presented in accordance with IFRSs



International Accounting Standards (IASs) relevant to MFIs

- IAS 1 – Presentation of Financial Statements
- Components of Financial Statements
- Balance Sheet
- Income Statement
- Statement of changes in equity
- Cash Flow Statement
- Significant accounting policies & explanatory notes



International Accounting Standards (IASs) relevant to MFIs

- IAS 1 – Presentation of Financial Statements
- International Financial Reporting Stds (IFRSs)
- Standards and interpretations adopted by International Accounting Standards Board (IASB)



International Accounting Standards (IASs) relevant to MFIs

- IAS 1 – Presentation of Financial Statements
- Standards include:
 - IFRSs
 - International Accounting Standards (IASs)
 - Interpretations originated by IFRIC or former SIC



International Accounting Standards (IASs) relevant to MFIs

- IAS 1 – Presentation of Financial Statements
- Fair presentation and compliance with IFRSs
- Involves faithful presentation and disclosure
- F/S comply only when prepared in accordance with requirements of IFRSs



International Accounting Standards (IASs) relevant to MFIs

- IAS 1 – Presentation of Financial Statements
- An entity which departs from requirements of the standard or interpretation should disclose that:
- Management concludes fairness of F/S
- Applicable standards & interpretations were complied with



International Accounting Standards (IASs) relevant to MFIs

- IAS 1 – Presentation of Financial Statements
- Nature & reason for departure from standard
- Financial impact of departure on F/S items
- Nature, reason & Financial impact of non compliance in prior years should be disclosed in the current year



International Accounting Standards (IASs) relevant to MFIs

- IAS 1 – Presentation of Financial Statements
- Key disclosures in F/S
- Name of reporting entity
- Whether F/S are for individual entity or group
- B/S date or period covered by the F/S
- Presentation currency
- Level of rounding off



International Accounting Standards (IASs) relevant to MFIs

- IAS 1 – Presentation of Financial Statements
- Reporting period
- At least one year
- For periods shorter or longer than one year, reason & un comparability of prior year figures should be disclosed



International Accounting Standards (IASs) relevant to MFIs

- IAS 1 – Presentation of Financial Statements
- Balance Sheet presentation:
- Items to be presented on the face of B/S include:
 - PPE
 - Investment property
 - Intangible Assets



International Accounting Standards (IASs) relevant to MFIs

- IAS 1 – Presentation of Financial Statements
- Balance Sheet presentation cont'd:
- Financial Assets
- Investments accounted for under equity method
- Biological assets
- Inventories



International Accounting Standards (IASs) relevant to MFIs

- IAS 1 – Presentation of Financial Statements
- Balance Sheet presentation cont'd:
- Trade & other receivables
- Cash & cash equivalents
- Trade & other payables
- Provisions
- Financial Liabilities



International Accounting Standards (IASs) relevant to MFIs

- IAS 1 – Presentation of Financial Statements
- Balance Sheet presentation cont'd:
- Liabilities & assets for current tax (IAS 12)
- Deferred tax Liabilities & Assets (IAS 12)
- Minority interest, presented within equity
- Issued capital & reserves attributable to equity holders of the parent



International Accounting Standards (IASs) relevant to MFIs

- IAS 1 – Presentation of Financial Statements
- Balance Sheet presentation cont'd:
- Assets held for sale
- Liabilities included in disposal groups
- Headings and sub-totals



International Accounting Standards (IASs) relevant to MFIs

- IAS 1 – Presentation of Financial Statements
- Balance Sheet presentation cont'd:
- Items presented either on face of B/S or in the notes include:
 - Number of shares
 - Issued & Fully paid shares
 - Issued but not fully paid shares



International Accounting Standards (IASs) relevant to MFIs

- IAS 1 – Presentation of Financial Statements
- Balance Sheet presentation cont'd:
- Par value per share
- Bonus shares
- Reconciliation of shares at beginning and end of period



International Accounting Standards (IASs) relevant to MFIs

- IAS 1 – Presentation of Financial Statements
- Balance Sheet presentation cont'd:
- Rights, preferences and restrictions attached to class of shares e.g. distribution of dividends & repayment of capital
- Shares held by entity, subsidiaries or associates



International Accounting Standards (IASs) relevant to MFIs

- IAS 1 – Presentation of Financial Statements
- Balance Sheet presentation cont'd:
- Shares reserved for issue under options & contracts for sale of shares
- Nature & purpose of each reserve within equity



International Accounting Standards (IASs) relevant to MFIs

- IAS 1 – Presentation of Financial Statements
- Income Statement presentations:
- All items of income & expense recognised in a period. They include:
- Revenue
- Finance costs
- Profit/loss of associates or joint ventures



International Accounting Standards (IASs) relevant to MFIs

- IAS 1 – Presentation of Financial Statements
- Income Statement presentations cont'd:
- Tax expense
- Post-tax profit/Loss of Discontinued Operations
- Profit or Loss



International Accounting Standards (IASs) relevant to MFIs

- IAS 1 – Presentation of Financial Statements
- Income Statement presentations cont'd:
- Profit/Loss attributable to Minority Interest
- Profit/Loss attributable to equity holders of parent company
- Headings and sub-totals



International Accounting Standards (IASs) relevant to MFI

- IAS 1 – Presentation of Financial Statements
- Statement of changes in equity presentations:
- Profit or Loss for the period
- Each item of income & expense recognised directly in equity
- Income and expense for the period attributable to parent and minority interest



International Accounting Standards (IASs) relevant to MFIs

- IAS 1 – Presentation of Financial Statements
- Statement of changes in equity presentations:
- Effects of changes in accounting policies and correction of errors



International Accounting Standards (IASs) relevant to MFIs

- IAS 1 – Presentation of Financial Statements
- Statement of changes in equity presentations:
- Other disclosures include,
- Amounts of transactions with equity holders
- Retained earnings b/f, for the period & c/f
- Reconciliation of equity & reserves at beginning & end of period



International Accounting Standards (IASs) relevant to MFIs

- IAS 1 – Presentation of Financial Statements
- Cash Flow Statement presentations:
- Discloses information required by IFRSs that is not presented on the face of the Balance Sheet, Income Statement and Statement of changes in equity.



International Accounting Standards (IASs) relevant to MFIs

- IAS 1 – Presentation of Financial Statements
- Other disclosures (in the notes) include:
 - Proposed & declared dividends
 - Amount of un recognised cumulative dividends
 - Domicile & legal form of entity
 - Country of incorporation
 - Address of entity's registered office



International Accounting Standards (IASs) relevant to MFIs

- IAS 1 – Presentation of Financial Statements
- Other disclosures (in the notes) cont'd:
- Nature of entity's operations & principal activities
- Name of parent and ultimate parent of the group