

Financial Accounting & Management Reporting

“Professional Guidance”

VIA ...



Taher El Taher – CPA
tahir@accbest.com
 Mobile: +97339911210
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 Bahrain

- Graduated in Khartoum Polytechnic 1979 and got my CPA US certification in year 2000.
- Worked for Al Essa Co. & Kingdom Holding in Riyadh, Saudi Arabia
- Worked as Consultant & Compliance Officer for the Arab Investment Company, Bahrain.
- In Year 2016, established own Business & Software Consultancy “AccBest” in Bahrain.



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Class 2 – Friday 29-Jan-2021: 3:00 - :00 pm

The Accounting Cycle Presentation of the Basic Financial Statements

الدورة المحاسبية
عرض
القوائم المالية الأساسية



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The Accounting Cycle



3

8 Steps that Make a Complete Accounting Cycle



4

8 Steps that make a Complete Accounting Cycle

1 Identify the Transactions

Accounting starts with the identification of the "Financial Transactions", those stand for all the financials dealings of the businesses:

التعرف على المعاملات المالية

Examples:

- Company paid to the bank 50,000 for share capital,
- Purchased goods for 15,000 on credit,
- Sold goods for 5,000 in cash,
- Paid rent 2,000, salaries 6,000, insurance 3,000, etc

8 Steps that make a Complete Accounting Cycle

2 Book "Record" Journal Vouchers

Following identification of the financial transactions, journal entries are then recorded into debits to certain accounts and credits to other accounts; debits and credits must always balance.

إجراء القيود المحاسبية

Examples:

- | | | |
|-----------------|-----------------------|--------|
| ▪ Dr. bank | Cr. share capital for | 50,000 |
| ▪ Dr. inventory | Cr. accounts payable | 15,000 |
| ▪ Dr. Cash | Cr. sales | 5,000 |

8 Steps that make a Complete Accounting Cycle

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Posting to
the General
Ledger (GL)

ترحيل القيود إلى دفتر
الأستاذ العام

Posting to the **General Ledger (GL)**: Still working manually? You need to do this step. However; nowadays almost all businesses adopt electronic accounting systems "software" where transactions upon approval, are immediately posted to **subsidiary ledgers** (sometimes called registers) and to the GL.

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8 Steps that make a Complete Accounting Cycle

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Generate
"unadjusted"
Trial Balance

إعداد ميزان المراجعة
"قبل التسويات"

At the end of the accounting period (which may be **monthly, quarterly** or **yearly**, depending on company policy), total balances of all accounts are computed, and listed in debit and credit balances.

Trial Balance Must Always Balance.

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8 Steps that make a Complete Accounting Cycle

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Identify &
Record
Adjusting
Entries

التعرف على
التسويات
المحاسبية

At the end of the company's accounting period, adjusting entries are passed, e.g.

- accrued expenses, prepaid expenses,
- deferred revenue,
- Depreciations for fixed assets and amortizations for intangible assets.

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8 Steps that make a Complete Accounting Cycle

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Generate
"adjusted"
Trail Balance

إعداد ميزان المراجعة "بعد"
التسويات المحاسبية"

Following the identification and recording of the adjusting entries, a final "adjusted" Trial Balance is generated.

account	debit	credit
Cash	5,000	
Bank	50,000	
Inventory	15,000	
Accounts Payable AP		15,000
Share capital		50,000
Sales		5,000
Totals	75,000	75,000

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8 Steps that make a Complete Accounting Cycle

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Prepare
Financial
Statements
(FSs)

إعداد القوائم المالية

Using the Trial Balance, the accountant then prepares the Financial Statements:

- Statement of Financial Position (Balance Sheet),
- Statement of Profit or Loss (Profit and Loss Account, Income Statement),
- Statement of Changes in Shareholders' Equity,
- Statement of Cash Flows

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8 Steps that make a Complete Accounting Cycle

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Closing the
Books &
Reporting

إقفال الدفاتر وإعداد تقارير
الأداء إلخ

At year end, all revenue and expense accounts are closed in the Statement of Profit and Loss, the results of which are then closed in the "Retained Earnings - RE". Financial Position accounts (including RE) are not closed, they are carried forward to the next period.

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Presentation of The Basic Financial Statements

(What are they, and how they are presented)?

ما هي القوائم المالية الأساسية وكيف يتم إعدادها

عرض القوائم المالية الأساسية



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Financial Statements

**Statement of
Financial Position**
(historically known
as Balance Sheet)



Shows what the company owns "assets", what it owes "liabilities", and what its net worth is "equity" in certain point in time "as of"

قائمة المركز المالي
(تاريخياً: الميزانية
العمومية)



توضح ما تملك الشركة من (الأصول)، وما عليها من التزامات (الخصوم)، ثم ما هو صافي حقوق الشركاء، في تاريخ محدد "كما في"

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Financial Statements

Statement of Profit or Losses
(historically known as Profit and Loss Account)



Shows what the company has earned "revenue, sales", what expenses it has incurred "cost of sales, general & admin expenses, etc", and what is the resulting profit or loss over a certain period.

قائمة الأرباح أو الخسائر
(تاريخياً: قائمة الأرباح والخسائر)



يُظهر ما كسبته الشركة من "الإيرادات والمبيعات"، والمصروفات التي تكبدتها "تكلفة المبيعات والنفقات العامة والإدارية وما إلى ذلك"، وما هو الربح أو الخسارة الناتجة خلال فترة زمنية معينة

Financial Statements

Statement of Changes in Shareholders' Equity



Shows what changes have taken place in the shareholders' equity since the date last Statement of Financial Position was generated.

قائمة التغيرات في حقوق الشركاء / المساهمين



يظهر التغيرات التي حدثت في حقوق الشركاء / المساهمين في تاريخ المركز المالي للشركة

Financial Statements

Statement of Cash Flows



Shows how much cash the company has brought in from different types of activities, and how much it has paid out during two points in time.

قائمة التدفقات النقدية



توضح مقدار النقد الذي تحصلت عليه الشركة من أنشطتها المختلفة (تشغيلية، استثمارية، وتمويلية) وأين تم صرف تلك المبالغ خلال السنة المالية أو الفترة المالية المعنية

The Statements Of Financial Position (Balance Sheet)

قائمة المركز المالي
(تاريخياً: الميزانية العمومية)



Statement of Financial Position – Presentation

HAS Company Statement of Financial Position – (Balance Sheet) (as of Dec 31, 2018)

Assets:		(3) Shareholders' equity:	
(1) Non-Current Assets (2 groups: tangible & intangible):		Share capital	30,000
Property, Plant & Equipment ("PPE"), net	45,000	Retained Earnings	60,000
Investment in an associate	10,000	Statutory Reserve	15,000
Intangible assets	15,000	Total shareholders' equity	105,000
Total non-current assets	70,000	Liabilities:	
(2) Current Assets:		(4) Non-Current Liabilities:	
Cash & Bank	33,000	Long-term loans	25,000
Accounts Receivable (AR)	25,000	Total non-current liabilities	25,000
Inventory	22,000	(5) Current Liabilities:	
Total current assets	80,000	Accounts Payable	20,000
Total assets		Total current liabilities	20,000
	150,000	Total liabilities	45,000
		Total liabilities & shareholders' equity	150,000

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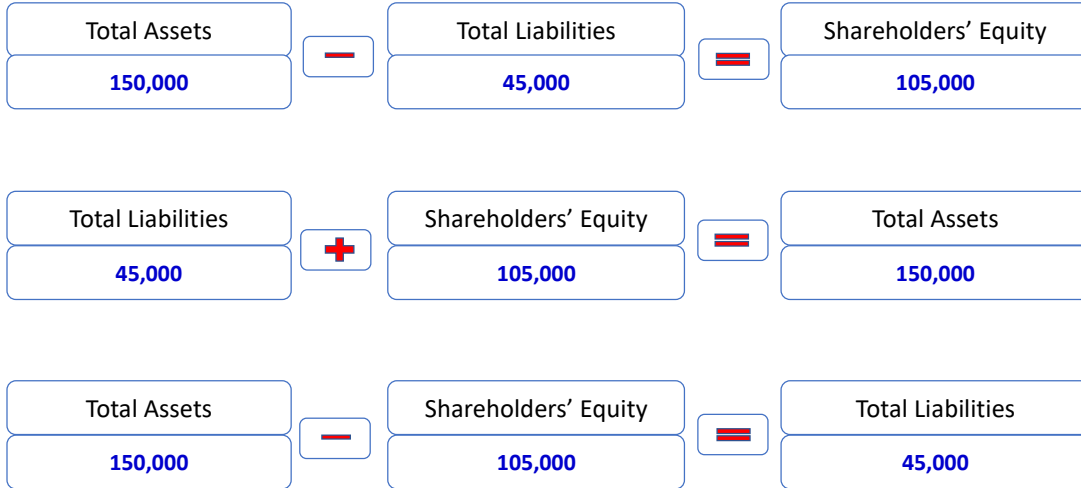
Statement of Financial Position – Presentation

HAS Company Statement of Financial Position as of Dec 31, 2018)

Assets:	
(1) Non-Current Assets (2 groups: tangible & intangible):	
Property, Plant & Equipment ("PPE"), net	45,000
Investment in an associate	10,000
Goodwill	15,000
Total non-current assets	70,000
(2) Current Assets:	
Cash & Bank	33,000
Accounts Receivable (AR)	25,000
Inventory	22,000
Total current assets	80,000
Total assets	150,000
(3) Shareholders' equity:	
Share capital	30,000
Retained Earnings	60,000
Statutory Reserve	15,000
Total shareholders' equity	105,000
Liabilities:	
(4) Non-Current Liabilities:	
Long-term loans	25,000
Total non-current liabilities	25,000
(5) Current Liabilities:	
Accounts Payable	20,000
Total current liabilities	20,000
Total liabilities	45,000
Total liabilities & shareholders' equity	150,000

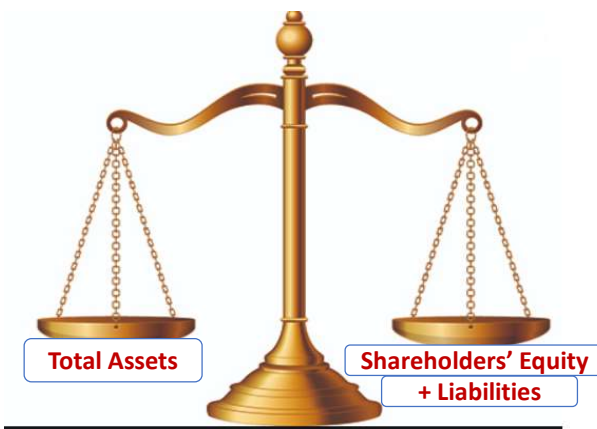
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Statement of Financial Position – Equations:



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Statement of Financial Position = Balance Sheet



Double Entry System
Every business transaction is entered into two places:
Debit in one Account
&
Credit in another Account
This will ensure that the Statement of Financial Position = Balance Sheet is always working & balanced

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Presentation of Statement of Profit or Loss (Income Statement)

قائمة الأرباح أو الخسائر
(تاريخياً: قائمة الأرباح والخسائر)



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Statement of Profit or Loss - Presentation

HSA Company Statement of Profit or Loss For the Period Ending December 31, 2017	
Sales revenue	250,000
Cost of sales	175,000
Gross Profit	75,000
Operating expenses	
Selling, and General & Admin expenses	
Marketing expenses	15,000
Sales commissions	12,000
Salaries & wages	15,000
Rent expense	6,000
Utilities	2,000
Total Selling, and General & Admin expenses	50,000
Operating Income	25,000
Non-operating & other income	
Interest income	4,000
Gain on sale of investment	10,000
Total non-operating & other income	14,000
Net Income before Interest & Taxes EBIT	39,000

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Presentation of Statement of Changes in Shareholders' Equity

قائمة التغيرات في حقوق الشركاء / المساهمين



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Statement of Changes in Shareholders' Equity- Presentation

HSA Company
Statement of Changes in Shareholders' Equity
for the Year Ending December 31, 2018

Details	Share Capital	Statutory Reserves	Retained Earnings	Owner Current a/c	Total
Balance as of December 31, 2017	100,000	-	145,000	-	245,000
Comprehensive income for the year	-	-	40,000	-	40,000
Transfer to statutory reserves		50,000	(50,000)		-
Contribution from shareholder				50,000	50,000
Balance as of December 31, 2018	100,000	50,000	135,000	50,000	335,000

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Presentation of Statement of Cash Flows

قائمة التدفقات النقدية



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Statement of Cash Flows

HSA Company Statement of Cash Flows for the Year Ending December 31, 2018

Cash Flow from Operating Activities:	
Net Profit (Loss) for the year	450,000
Adjustment for:	
Provision of doubtful debts	35,000
Depreciation expenses	42,000
Adjusted Net Profit (Loss)	527,000
Change in Operating Assets and Liabilities:	
Increase in Accounts Receivable	(53,000)
Decrease in Prepayments	20,000
Decrease in Accrued expenses	(15,000)
Net cash provided from operating activities	479,000
Cash Flow from Investing Activities:	
Addition to investment in companies at cost	(50,000)
Addition to investment in properties (fixed assets)	(40,000)
Net Provided from Investing Activities	(90,000)
Cash Flow from Financing Activities:	
Distribution of Dividends	(40,000)
Net Provided from Financing Activities	(40,000)
Net increase in Cash and cash equivalents	349,000
Cash and cash equivalents at the beginning of the year	150,000
Cash and cash equivalents at the end of the year	499,000

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The Double Entry System - MCQs

Q. (6)

The basic financial statements include all the following except:

- (a) Statement of Cash Flows
- (b) Statement of Retained Earnings
- (c) Balance Sheet
- (d) Income Statement

Answer (b) is correct

Q. (7)

The statement of cash flow clarifies cash flows according to:

- (a) Operating and Non-operating Flows
- (b) Inflow and Outflow
- (c) Investing and Non-operating Flows
- (d) Operating, Investing, and Financing Activities

Answer (d) is correct

The Double Entry System - MCQs

Q. (8)

Goods which originally cost 800 were sold for 1,000. In the accounting equation Net Assets will?

- (A) Rise by 1,000
- (B) Rise by 200
- (C) Fall by 1,000
- (D) Fall by 200

Answer (b) is correct

Thank You!

AccBest
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شركة استشارات الأعمال والإدارة

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