

**School:** RATU NAVULA COLLEGE  
**Subject :**Accounting

**Level:** Year 11  
**Week:**2

**Lesson 67**

**Strand 4:** Accounting Reports

**Strand 4.1 :**Balance Day Adjustments

**Learning Outcome:**

Prepare general journal entries for balance day adjustments for depreciation, bad debts.  
 Show profit and loss and balance sheet extract.

**Activity:** Read notes and examples from lesson 64- 66 to answer the following questions

1. On 1 January, 2019 a business purchased machinery for \$8000 cash. Its estimated life was considered to be 4 years with a residual value of \$2000. The financial year ends on 31 December each year.

**Required:**

- a) Calculate Depreciation per annum for machinery

**Depreciation per annum = Original Cost–Scrap value**

**Estimated Useful Life**

- b. General Journal Entry for recording depreciation

<b>Date</b>	<b>Particulars</b>	<b>Debit \$</b>	<b>Credit \$</b>

- c. Balance Sheet (extract)

<b><u>Fixed Asset</u></b>	<b>\$</b>
Name of the Asset (Original Cost)	
Less Accumulated Depreciation	
Book value	

**Another name for Provision for Depreciation is Accumulated Depreciation**

**Provision for Depreciation** means the total amount of depreciation that has accumulated for a particular asset

## 2. Trial Balance

	\$		\$
Debtors	1400		
Bad debts	320		

Additional Information:

1. Provide bad debts on debtors at 5%

Solution

General Journal Entry

Date	Particulars	\$	\$
	Bad debts (x) Debtors (To record bad debts written off)		

Profit and Loss (extract)

	\$		\$
Bad debts			

Balance Sheet (extract)

	\$		\$
<u>Current Asset</u>			
Debtors			

Lesson 68

Strand 4: Accounting Reports

Strand 4.2: Worksheets and Final Accounts

Learning Outcome: Explain the purpose of various accounting reports.

**Accounting Reports and its purpose:**

Financial reports are prepared by the accountants on the basis to help the end users in decision making.

**Features of a good Accounting Report**

Accounting report has several distinctive features.

**Clear heading** –accounting reports must have a clear heading showing the name of the business, the title of the report, date and the time period relevant to information in the report.

**Timeliness-** accounting information should be made available early enough to allow decisions to be made without undue delay.

**Accuracy** – accounting reports must be as accurate as possible to enable correct decisions to be made.

**Simplicity-** reports must be simple enough to be understood by the intended users .

**Consistency** - accounting reports from one accounting period to next should be prepared on a consistent basis so that the results of one accounting period can be compared with the next.

**Clear presentation**- accounting information should be clearly presented in order to be understood.

**Compliance with law and accounting standard** –accounting reports must be prepared in accordance with Fiji accounting standards.

Comparative financial statements are the complete set of financial statements that an entity issues, revealing information for more than one accounting period.

### **Why Need for Comparative Statements**

- Provides a comparison of an entity's financial performance over multiple periods. The statements may also reveal unusual items in the reported information that can indicate the presence of accounting errors.
- Provides a comparison of expenses to revenues and the proportions of various items on the balance sheet over multiple periods. This information can be useful for cost management purposes

### **Useful for predicting future performance.**

When comparing different companies, a comparative statement can show how businesses react to market conditions affecting an entire industry.

### **Limitations of Traditional Reports**

- Does not consider non-financial information.
- Reports are based on historical data reported in the financial statement.
- Pictorial analysis is not commonly practiced under traditional approach.

### **Worksheet**

The worksheet is a nature of a blueprint divided into various columns which assists the accountant to collect and organize the information relating to formulate financial statements .

### **Procedure for preparing the worksheet:**

#### **1. Trial Balance Column**

Ledger account balances to be entered in the correct columns of the Trial Balance Debit must equal to credit side.

#### **2. Adjustments column**

All adjustments to be entered on the Dr or Cr side. New entries to be done below the Trial balance totals.

#### **3. Adjusted Trial Balance Column**

Figures derived from the adjustment columns are added or subtracted from the trial balance to gage the amount that will be entered in the revenue statement and the balance sheet.

#### 4. Revenue Statement

Transfer all income and expense items from the adjusted trial balance to these columns to find out the net profit or loss. The difference between the two columns represents Net profit/loss.

#### 5. Balance Sheet

From the adjusted Trial balance transfer the A, L, and capital to the balance sheet.

#### Activity

1. What is the purpose of preparing financial reports?
2. List the seven distinctive features of a good accounting report.
3. Define Worksheet

#### Lesson 69

#### Strand 4: Accounting Reports

#### Strand 4.2: Worksheets and Final Accounts

Learning Outcome: Prepare tabulated worksheets to incorporate balance day adjustments.

	\$		\$
Insurance	400	Capital	49 740
Machinery	34 000	Commission	2 000
Office Expenses	1 650	Creditors	8 000
Drawings	2 900	Sales	30 900
Bank	2 400		
Accounts Receivable	6 700		
Equipment	20 000		
Purchases	17 140		
Rent	1 500		
Inventories 1 April, 2014	2 100		
Wages	1 850		
	\$90 640		\$90 640

#### Adjustments

1. Wages Accrued \$200
2. Rent paid in advance \$300
3. Commission revenue earned but not yet received \$30
4. Inventories at 31<sup>st</sup> March 2015 \$2300

**Worksheet of GINI for the year ended 31<sup>st</sup> March 2015**

	Trial Balance		Adjustments		Amended Trial Balance		Rev Statement		Balance Sheet	
	Dr	Cr	Dr	Cr	Dr	Cr	Dr	Cr	Dr	Cr
Insurance	400				400		400			
Machinery	34000				34000				34000	
Office expenses	1650				1650		1650			
Drawings	2900				2900				2900	
Bank	2400				2400				2400	
Account Receivables	6700				6700				6700	
Equipment	20000				20000				20000	
Purchases	17140				17140		17140			
Rent	1500			300	1200		1200			
Inventories 1 Aril 2014	2100				2100		2100			
Wages	1850		200		2050		2050			
Capital		49740				49740				49740
Commission		2000		30		2030		2030		
Creditors		8000				8000				8000
Sales		30900				30900		30900		
	<b>90640</b>	<b>90640</b>								
Wages Accrued				200		200				200
Rent paid in advance			300		300				300	
Commission revenue accrued			30		30				30	
Inventories 31 <sup>st</sup> March 2015								2300	2300	
Net profit							10690			10690
			<b>530</b>	<b>530</b>	<b>90870</b>	<b>90870</b>	<b>35230</b>	<b>35230</b>	<b>68630</b>	<b>68630</b>

## Activity

1. The Trial Balance as at 31/3/14 of N Dell, a lawyer is given below

	\$	\$
Bank	120000	
Drawings	97000	
Debtors	15000	
Car (cost)	65000	
Lease expense of office	28000	
Creditors		9760
Capital		40000
Administrative expense	14050	
Wages	127000	
Fees		421930
Accumulated Depreciation		
Car		16250
Equipment		3000
Insurance		
Car	1400	
Equipment	950	
Office equipment(cost)	21000	
Interest on loan	290	
Loan		2900
Lighting	1200	
Vehicle expenses	2950	
	<b>493840</b>	<b>493840</b>

*Extracted From: Form5 Accounting Revision*

The following adjustments were to be made:

- \$200 of car insurance is prepaid
- \$250 for administration expenses is owing.
- Depreciation is to be provided (straight line for the car 12.5%) and the equipment \$3000.
- Fees owing but not yet received \$1930.

**Required:** Prepare final account by using a worksheet.

Lesson 70

Strand 4: Accounting Reports

Strand 4.2: Worksheets and Final Accounts

Learning Outcome: Prepare tabulated worksheets to incorporate balance day adjustments.Activity

2. Given below is the unadjusted trial balance of Jashpal Singh for the year ended 31<sup>st</sup> March 2014.

**Trial Balance Of Mr Jashpal Singh As At 31<sup>st</sup> March 2014**

Ledger accounts	Dr (\$)	Cr (\$)
Stock at 01/04/13	5 580	
Net purchase	22 500	
Wages	8 550	
Advertising expenses	3 265	
Buildings	48 600	
Plant	10 000	
Cash at bank	6 251	
Accounts receivable	2540	
Office expenses	2 480	
Drawings	4 000	
Insurances	600	
Sales		48 555
Interest received		190
Accumulated depreciation on plant		2 000
Accounts payable		2 840
Commission received		590
Capital - Jashpal Singh		60 191
<b>Total</b>	<b>\$ 114 366</b>	<b>\$ 114 366</b>

The following adjustments are required at the balance date:

- (a) Wages due but not paid \$150
- (b) Insurance paid in advance \$180
- (c) Commission due but not received \$50
- (d) Interest received in advance \$30
- (e) Depreciate plant at 10 % per annum on straight line method
- (f) Create provision for doubtful debts equal to 5% of the debtors.
- (g) Stock at 31/03/14 \$2 500

**Required:** Using the information given above, prepare the worksheet for the year ended 31/03/14

Lesson 71Strand 4: Accounting ReportsStrand 4.2: Worksheets and Final Accounts

Learning Outcome: Prepare tabulated worksheets to incorporate balance day adjustments.

The following balances are from the books of B. Singh. His financial year ended on 31/12/16.

	<b>\$</b>
Cost of Goods Sold	3 840
Sales	5 406
Drawings	149
Interest Received	650
Accounts Receivables	1 850
Provision for doubtful debts	200
Stationeries	188
Creditors	442
Bad Debts	200
Capital	2 760
Inventory – 31/12/16	176
Prepaid Insurance	655
Machinery	3 800
Provision for Depreciation	600

Additional Information

- (a) Stationeries due but not paid \$150.
- (b) Additional bad debts written off \$100.
- (c) Increase provision for doubtful debts to \$368.
- (d) Depreciate machinery at 10% per annum on Straight Line method.
- (e) Interest received in advance \$50.

**Required:** Using the information given above, prepare the worksheet.