

BASIC ACCOUNTING



EQUATION

◆ **ASSETS = LIABILITIES + EQUITY**

◆ **$A = L + C$**

◆ **or**

◆ **$A - L = C$**

BALANCE SHEET

◆ **ASSETS**

- **CASH (Bk, Petty cash, Bk deposits)**
- **ACCOUNTS RECEIVABLE**
- **INVENTORY called (Stocks)**
- **PREPAID EXPENSES**
- **INVESTMENTS**
- **FIXED ASSETS**

BALANCE SHEET(2)

◆ **LIABILITIES**

- **ACCOUNTS PAYABLE**
- **INSURANCE PAYABLE**
- **SALARIES PAYABLE**
- **DEPOSITS FROM**
- **MORTGAGE**
- **PATRIMONY of your members**
- **FUNDS HELD**

BALANCE SHEET(3)

- ◆ **CAPITAL / EQUITY**

- **CAPITAL**

- **RETAINED EARNINGS**

(Unrestricted fund)

(Designated fund)

CURRENT ASSETS

- ◆ **CASH (Petty cash)**
- ◆ **BANKS (Current acc. Saving acc. Deposits)**
- ◆ **ACCOUNTS RECEIVABLE**
- ◆ **INVENTORY called (Stocks)**
- ◆ **PREPAID EXPENSES (Paid in advance)**

CURRENT LIABILITIES

- ◆ **ACCOUNTS PAYABLE**
- ◆ **BANK'S LOAN (SHORT TERM, less 1y)**
- ◆ **ALL KIND OF PAYABLE**
- ◆ **DIFFERED REVENUES (a revenue received in advance). Ex. school fees inscriptions**

FIXED ASSETS

- ◆ **LAND**
- ◆ **BUILDINGS**
- ◆ **VEHICLES** --- cars, mini-bus, tractor, moto...
- ◆ **FURNITURE & EQUIPMENT**
 - (it's not important to separate them)

INVESTMENTS

- ◆ **BANK'S DEPOSITS = L.T (+ 1 Year)**
- ◆ **SHARES**
- ◆ **BONDS**
- ◆ **MUTUAL FUNDS (SICAV)**

- ◆ **Real Estate (Houses, lands, not used by you, are rented for income)**

ACCOUNTS RECEIVABLE

- ◆ **Oral or implied promise**
 - **To a friend, an employee, your diocese, an organization...**
- ◆ **For example: you make a loan of 10,000 to an ONG with or without interest, for five years, no guarantee.**

ACCOUNTS PAYABLE

- ◆ **Oral or implied promise to pay as a result of signing a promissory note for goods or services.**
- ◆ **For example: you bought a photocopier 8,000 paid 1000 cash and the balance in two instalments.**

MORTGAGE

- ◆ **A lien against property....**
- ◆ **A loan secured by the collateral of some specified real estate property which obliges the borrower to make predetermined series of payment**
- ◆ **If you don't pay (capital + interest) the property can be taken by the Bank.**

PAID IN ADVANCE

Example

- ◆ **INSURANCE PAID FOR 12 MONTHS**
- ◆ **PAID JULY 1,2009 TO JUNE 30, 2010**
- ◆ **6 MONTHS PAID IN ADVANCE**
- ◆ **Paid: 6,000**
- ◆ **P /A:**

WORKING CAPITAL

- ◆ **DIFFERENCE:**
- ◆ **CURRENT ASSETS – CURRENT LIAB.**
- ◆ **MONEY LEFT OVER AFTER PAYING THE DEBTS**

WORKING CAPITAL

- ◆ **TO INCREASE:**

- ◆ **CURRENT ASSETS** by adding a new assets

OR

- ◆ **CURRENT LIABILITIES** by paying your debt

RETAINED EARNINGS

- ◆ ALL PROFITS ACCUMULATED YEAR AFTER YEAR.
- ◆ 2005: SURPLUS 50,000
- ◆ 2006: SURPLUS 25,000
- ◆ 2007: DEFICIT 5,000
- ◆ 2008: SURPLUS 60,000
 - RETAINED EARNINGS = 130,000

ACCOUNTING SYSTEM

- ◆ **TWO (2) MAJOR WAYS to record transactions:**

- **CASH BASIS**

- **ACCRUAL BASIS**

CASH BASIS

- ◆ **Impact of events not recognized until cash is paid or received.**
- ◆ **For example: the December' salaries of the members were received in January No impact for the Financial Report 2004.**

ACCRUAL BASIS

- ◆ **Impact of events recognized as they occur.**
- ◆ **Transactions are recorded **EVEN** when cash not received or paid.**
- ◆ **For example: (see the cash basis)**
 - **Salaries revenues: 15,000**
 - **Account receivable: 15,000**

FINANCIAL REPORT

- ◆ **TWO (2) MAJOR STATEMENTS** you must produce:
- ◆ **STATEMENT of Revenues and Expenditure (see synonyms)**
 - **BALANCE SHEET**
 - **(+ page of Notes & Comments)**

Synonyms

- ◆ **Statement of Revenues and Expendure**
- ◆ **Statement of Affairs**
- ◆ **Statement of financial activities**
- ◆ **Statement of operations**
- ◆ **Statement of Profit and Loss**

Supplementary Information

- ◆ **Many times the Council wants details and lists. Ex.: list of vehicles, list of houses, list of Patrimony, list of investments by asset allocation, by brokers, details of expenses by communities, etc...**
- ◆ **Separate document called: Supplementary Information. It's for internal use.**

FINANCIAL REPORT

- ◆ **TITLE**

- **Official name of your entity**
- **Name of the Statement**
- **Date**

BALANCE SHEET

- ◆ **The Marist Brothers**
- ◆ **BALANCE SHEET**
- ◆ **AS AT DECEMBER 31,2009**

- ◆ **Note: At a specific date.**

Profit and loss Statement

- ◆ **The Sisters of Charity**
- ◆ **Profit and Loss Statement**
- ◆ **FOR THE PERIOD 1-1-2008 TO 31-12 2009.**
- ◆ **FOR THE YEAR ENDED December 31, 2010.**

INCOME STATEMENT

- ◆ **SYNONYMS:**

- **STATEMENT OF REVENUES AND EXPENSES;**
- **STATEMENT OF AFFAIRS;**
- **PROFIT & LOSS**

NON-CASH TRANSACTIONS

◆ EXAMPLE (1):

- **As provincial bursar you pay insurance for your three(3) schools.**
 - **Saint-Joseph: 6,000**
 - **Santa Maria: 5,500**
 - **Juniorate of...: 4,500 Grand total 16,000**
- **A/R=16,000 (dt) Insurance= 258,000 (ct)**

NON-CASH TRANSACTIONS

◆ EXAMPLE (2):

- **The Generalate charges a PER CAPITA to the Provinces:**
 - **Canada: 75,000**
 - **USA: 80,000**
 - **France: 103,00**
- **A/R=258,000 (dt) --Per Capita= 258,000 (ct)**