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UPDATED TO 2020-22 SYLLABUS

CAIE IGCSE ACCOUNTING (0452)

SUMMARIZED NOTES ON THE THEORY SYLLABUS

1. Preface

- The following are short forms used in the notes. Note that these short forms will not be accepted in examinations and no marks will be awarded for their usage:

Short Form	Full Form
SOFP/BS	Statement of financial position/ balance sheet
BRS	Bank reconciliation statement
PNL	Profit and loss a/c
IS	Income statement
Dep.	Depreciation
MCB	Main cash book
PCB	Petty cash book
TB	Trial balance
SPOG	Selling price of goods
COS	Cost of Sales
P	Purchases

- The only accepted short forms are:

A/C	Account
b/d	Brought down
c/d	Carried down.
C	Contra- only for use in ledgers- Not structured answers.

- Ticks refer to (optional, but recommended) markings a candidate will make to ensure the requirements of the question have been satisfied.
- Some of the accounts shown do not contain all the columns and details required in an examination. They just show relevant details. All details will be required in the question unless mentioned.
- Date should be written in full (including day, month and year) unless instructed otherwise.

2. The Purpose of Accounting

2.1. Bookkeeping vs. Accounting

- **Bookkeeping:** A process of detailed recording of all the financial transactions of a business.
- **Accounting:** Accounting uses the bookkeeping records to prepare financial statements at regular intervals.

2.2. Assets, Capital and Liabilities

- Profit is the return received by the owner for their investment of capital.
- Capital or Owner's Equity is the amount the business owes to its owner. When a business begins operation, the owner of the business invests capital, which can be any resource such as:
  - Cash
  - Bank or cash equivalents o Motor vehicles
  - Inventory (the stock of goods).
- Assets are things/resources the business owns or are owed to the business.
- At times a business can borrow money from an entity which is not the owner of the business. The business now has a liability and is liable to pay for the item borrowed.
- An increase in liabilities results in an increase in assets, for e.g. cash if borrowed increases the cash in hand, but also increases the amount the business owes to other entities. This is the duality concept.
- Thus, the accounting equation is derived:
  ASSETS = CAPITAL + LIABILITIES

2.3. Profits and losses

- The aim of business is to make a profit. This is calculated in the financial statements which are usually prepared at the end of a financial year.
- **Profits = Income - Expenses**
- A business can also make a loss wherein the expenses are greater than the income. Loss= negative profit.
- By measuring the profit and loss of a business, one can:
  - Understand the progress of the business
  - Use ratios and compare the profit of a business to other figures in the financial statements to get a more comprehensive view of the business' progress.
  - Compare the progress of the business to the progress of similar businesses.
  - Comparing the business to itself from year to year
  - Base the business' future and make decisions based of the profit/loss figure.

3. Sources and Recording of Data

3.1. Double Entry bookkeeping:

- The double entry system of bookkeeping involves giving two effects to each business transaction, one which debits to the A/C receiving and the other which credits where the amount is being deducted.
- The rules of double-entry bookkeeping are:
  - Debit the receiver, Credit the giver.
  - Debit what comes in, Credit what goes out.
  - Debit the expense, Credit the income.
- Day-to-day transactions are recorded using the double-entry bookkeeping system.
- Ledgers are used to record financial transactions and their format is as follows:

Ledger (T) Format:

Date	Details	$	Date	Details	$
		xxx			

- Sales, for cash 100 dollars: Dr Cash A/C for 100 (as cash is the receiving A/C) and Cr Sales A/C for 100 (as sales is responsible for/giving the cash).
- Purchases of goods 150 dollars (on credit): Dr Purchases A/C for 100 and Cr Seller's A/C for 100.
  - Crediting the seller's A/C creates a liability as now the business has obligation to pay for the goods.
- Drawings (assets taken by the owner of a business for their personal use, out of the business) of goods 50 dollars. Dr Drawings and Cr Purchases, both with 50. The drawings increase and the goods decrease.
- Payment of 150 dollars (through bank) to Seller for goods bought earlier: Credit Bank A/C for 150 and Dr Seller's A/C for 150. o Now there is no outstanding balance on the seller's A/C, as the debit is equal to the credit.
- When an A/C of a person or another business is maintained, and has a Dr Balance, the business is owed money by that entity and vice versa as shown in the example.
  - Sales of 60 dollars to B dawg (on credit): Cr Sales A/C and Dr B Dawg A/C.
  - An A/C which is a liability to the business due to regular trading is known as a trade creditor/trade payables/ creditor.
- An A/C which is an asset (because the entity owes money to the business, it's almost as good as having the money) due to regular trading is known as a trade debtor/ trade receivables/Debtor.
- Balancing a ledger at the end of the month:
  - The debit and credit columns are individually totalled. The difference is noted. If the debit side is heavier than the credit side, then the difference is entered as a credit entry (Balance c/d) and vice versa.
  - Total the debit and credit columns and write them.
  - If the balance c/d was Dr, then the balance b/d will be Cr, and vice versa.
    - The balance c/d entry is done on the last day of the month and the balance b/d entry is made on the first day of the next month.

3.2. Business Documents

- Invoice
  - **Contents:** The name & address of the supplier & customer, the date. Full details, quantities & the prices of goods sold
  - **Issued when:** Goods on credit are sold by the supplier. Can also be issued when goods are sold in for cheque/cash
  - **Notes:** Trade discount is shown as being deducted whereas it is mentioned that cash discount is only allowed if the invoice is paid within a time limit.
  - **Uses:** Customer records Cr purchase & Supplier records Cr sales.
- Dr note
  - **Contents:** Name & address of supplier & customer, date, full details & quantities (sometimes prices) of goods returned or overcharged
  - **Issued when:** Goods not satisfactory, Wrong goods etc. Issued by the supplier or customer
  - **Notes:** Customer checks goods & invoice for overcharge/ Wrong goods, etc. When the price is included, it is always less trade discount.
  - **Uses:** Communication medium | No entries made, however, sometimes they are issued in-place of a rectified invoice
- Cr Note
  - **Contents:** Name & address of the supplier & customer, date, full details, quantities & prices of goods returned or overcharged
  - **Issued when:** Faulty goods/ overcharged goods. Issued by the supplier
  - **Notes:** Sometimes printed in red/any other color to distinguish between an invoice
  - **Uses:** Customer records returns outwards & supplier record returns inwards.
- Statement of A/C
  - **Contents:** Name & address of supplier & customer, date, balance owing at the start of the period, invoices & Cr notes issued, payments received, any cash discounts allowed, balance owing at the end of the period.
  - **Issued when:** At the end of each month, by a supplier. Given to each customer.
  - **Notes:** Contains summary of all transactions.
  - **Uses:** No one makes any entries. Reminder to the customer of Amount Outstanding & can also be used to check for errors for both.
- Cheque
  - **Contents:** Pre-printed details. Date, amount & payee have to be filled.
  - **Issued when:** Payment through bank.
  - **Notes:** Used to pay pre-stated sum to payee. Comes in a book of pre-printed cheques (Issued by the bank)
  - **Uses:** Supplier: Counterfoil of paying-in slip used to make entry in cash book & for discount allowed. Customer: Makes uses of the cheque counterfoil to make cash book entry & discount received.
- Receipt
  - **Issued when:** Goods sold by cash, and not when by cheque (the cheque acts as one)
  - **Uses:** Proof of payment

3.3. Prime books of entry

- Prime books of entry are listing devices which help to remove a lot of detail from the ledgers. It also means that bookkeeping can be divided between several people.
- They are also called books of original entry/subsidiary books.

- Transactions are recorded here before being recorded in the ledgers.
- The cash book & the petty cash book are both ledgers & prime books of entries.
- Trade discount does not appear in the ledger A/C; it may be shown in the prime books. The value of the goods bought reduces.
- There are 7 books of prime entry:
  - Sales Journal
  - Sales returns Journal
  - Purchases journal
  - Purchases returns Journal
  - Cash Book
  - Petty Cash Book
  - General Journal

Sales and Sales returns Journal

Prime Book	General Description	Format	Notes:
Sales Journal/Sales book/sales day book	A list of A/Cs to which Cr sales were made, their values & the dates	Date-Name-Invoice Number-Folio-Amount ($)The invoice number pertains to the invoice issued	The Dr entry is made in the debtor's ledger A/C as the sales are recorded in the journal with the total of the invoiceAt the end of the month, the sales A/C is credited with the total of the sales journal as total credit sales of month
Sales Returns/Returns inwards book/returns inwards journal	A list of the names of the businesses, the value of goods returned & date	Date-Name-Cr Note Number-Folio-AmountThe credit note number pertains to the credit note issued	Written up using copies of Cr notesThe Cr entries are simultaneously made into the customer's A/C.At the end of the month, the totals will be posted to the sales returns A/C.

Purchases and Purchases returns Journal

Prime Book	General Description	Format	Notes:
Purchases Journal/ Purchases book/ Purchases day book	A list of the names of businesses from which Cr purchases have been made, value & date.	Date-Name-Invoice no.-Folio-AmountThe invoice number pertains to the invoice received	Written up using invoices from suppliers.The supplier's A/C is simultaneously credited with invoice totals.The total is posted into the purchase A/C as total Cr purchases of month.
Purchases Returns Journal/Purchase returns book/Returns outwards book/Returns outwards journal	A list of names of businesses whom goods have been returned to, value & date	Date-Name-Cr Note Number-Folio-AmountThe credit note number pertains to the credit note received	Written up using Cr notes from suppliers.The Suppliers A/C is simultaneously debited with the total from the Cr note.At the end of the month, the total (from the journal) is posted in the purchases returns A/C.

Cash Book

- In practice, it is common to have the cash A/C & bank A/C shown side by side in what is called a cash book. This book is moved away from the ledger; however, this still follows the double entry system of bookkeeping. Certain businesses maintain a 3-column cash book where there is an added cash discount column on the Dr & the Cr side. They are both ledgers as well as prime books of entries

Two Column Cash Book:

Date	Details	Cash $	Bank $	Date	Details	Cash $	Bank $
		xxx	xxx			xxx	xxx

Three Column Cash Book:

Date	Details	Discount Allowed	Cash $	Bank $	Date	Details	Discount Received	Cash $	B
			xxx	xxx				xxx	

- Credit transactions are not shown in the cash book.

- **Contra Entries:** withdrawal of cash/deposition of cash. The Cash column can never have a Cr balance as it is a physical quantity, i.e. it can either be nil or it has a Dr Balance. However, the bank column can have a Cr balance; this is known as a bank overdraft wherein the bank allows one to pay more than their bank balance is & then charges interest on the sum (most of the times-in practicality). A Cr balance on the bank column of the cash book represents a liability.
- Discount allowed/Cash Discount: Discount a business allows to its Cr customers to encourage faster payment (within a set time span). This is an expense incurred by the business in-order to have debts settled promptly. However, this is not shown on the receipt.
- The discount columns are not a part of the double-entry system, they are used for convenience. At the end of the trading periods, their totals are taken are carried to their respective A/C s (Dr Entries for discount allowed & Cr entries for discount received). This represents the double entry for all the individual debits in the creditors & credits in the debtors.
- If a cheque is dishonoured (There is a problem with the cheque or there is an insufficient balance in the debtor's A/C, etc.), the reverse entry of that has to be made when the cheque was deposited & the debtor or payee will have to be informed that the amount is unpaid.

Petty Cash Book

- Businesses maintain a petty cash book (as to not record small cash payments in the cash book & ledgers) That records any low value transactions. It lists the transactions to be transferred to the ledger A/C & also acts as the ledger A/C for these petty cash transactions.
- **General working of a petty cash system**: A junior cashier is given a float amount so that the chief cashier focuses on more important transactions. They (chief cashier) regularly checks the work of the junior cashier. When some petty cash is to be obtained, a petty cash voucher is given to the petty cashier. (this show: purpose, date & signature of receiving person). These are used to check against the petty cash spent.
- **The imprest system:** Petty cash expenditure is made from the float/imprest amt. The imprest amount stays constant (but can be altered). After the balancing of the petty cash book, the chief cashier will restore the imprest. This enables the chief cashier to know exactly how much petty cash has been spent.

Petty Cash Book Format

Total Received $	Date	Details	Total Paid $	Cost 1 (Stationery)	Cost 2 (Transport)	Ledger A/Cs
xxx			xxx	xxx	xxx	xxx

General Journal

- The journal or general journal is used whatever is not entered into any other book of prime entry before they are recorded in the ledgers.
- **A journal entry shows:**
  - The date of the transaction
  - The A/C name to be debited and credited and the respective amounts
  - A narrative: a short description of what is being recorded and why it is being recorded. E.g. capital of $1000 cash invested.
- When a business begins operation, or begins recording its financial transactions, there are opening journal entries that made made to record the investment of capital, any liabilities the business has etc. These items are then posted into the ledger accounts.
- **General Guidelines:**
  - Show the debit entries first.
  - Slightly indent credit entries in the details column.
  - Draw a line after each separate entry and its narrative if required (only in the details column)
- The purchase and sales of non-current assets are not recorded in any other book of prime entry, so they are recorded in the general journal and then posted into the ledger A/C (s).
- Any sales made on cash or for a cheque will be recorded in the cash book & then in the purchases A/C.
- Credit sales is recorded in the sales journal and debtor's A/C when the sale was made. The total is transferred to the sales A/C as total credit sales for month. The total of the cash sales is also transferred to the sales ledger from the cash book at the end of the month.
- Sales Returns if for cash are recorded in the sales A/C (end of month) and cash book during the transaction. Returns on goods bought for credit is entered in the sales returns journal and debtor's A/C at the date of the transaction and the total is posted to the sales returns A/C at the end of the month as "total credit sales returns of month"
- There will be 2 effects in the ledger from all the books of prime entry other than the cash book & petty cash book, where there will only be one effect (as they are also ledgers).

Date	Details	Debit	Credit
		xxx	xxx

3.4. The Ledger

- Ledgers are divided based on the types of accounts they contain, this is done so that several people can bookkeep simultaneously, i.e. Work can be distributed (the same applies for books of prime entries).

Ledger	General Description/Contents
Sales Ledger	Debtors Ledger
Purchases Ledger	Creditors Ledger

Ledger	General Description/Contents
Nominal Ledger	Real A/C s (assets) & nominal A/C s (income, expenses & capital)
Cash book	MCB & PCB

4. Accounting Procedures

4.1. Capital and Revenue Expenditure

- The purchase of a non-current asset is regarded as capital expenditure; thus, its cost is not recorded in the purchases ledger, but a non-current assets A/C. The entire cost of the non-current asset is not charged as an expense the year it is purchased, as it helps the business for several years. The capital expenditure is thus matched (by estimating) against the sales, i.e. the cost of the non-current asset is spread over the years which benefit from the use of that asset. This is known as depreciation and is revenue expenditure.
- **The capital expenditure includes:** The cost of the NCA, legal costs incurred for the purchase of the NCA, carriage on the NCA and installation fees.
- Because the income statement is made including revenue expenditure, recording capital expenditure as revenue expenditure will understate the profit and understate the NCA (thus giving effect to the accounting equation) and vice versa.
- Revenue expenditure is the cost incurred by running the business on a day-to-day basis. E.g. repairs on any non-current asset, general expenses, cost of public transport, etc. These are matched against the revenue receipt in the income statement.

Capital and Revenue Receipt

- Capital receipt is the income from sales of NCA. This should not be entered in the IS, but any profit or loss incurred from the sale of an NCA should be included in the Income statement.
- The receipt from disposal of non-current assets is regarded as capital receipt; it is recorded in the disposal of non-current asset(s) A/C, not the sales A/C.
- **Revenue receipt:** The income from the running of the business, such as commission received, rent received, sales, etc.

4.2. Depreciation

- Depreciation is a year-end adjustment that reduces the value of non-current assets with time, i.e. it is an estimate of the loss in value of a non-current asset over its expected working life.
- Non-current/fixed assets depreciate with time as they are used, and depreciation is the loss in their value, this is an application of the principle of prudence as showing these assets at their cost prices can be misleading and lead to overstating a businesses' profit which can lead to more being drawn by the owner than the business can afford.
- Land does not generally depreciate unless it is a mine or a well wherein something is drawn from the land (it's then called Depletion), buildings do depreciate.
- The purchase of a non-current asset is a part of capital expenditure, which is why the entire cost of the non-current asset is not charged as an expense the year it is purchase as it helps the business for several years. The capital expenditure is thus matched (by estimating) against the sales, i.e. the cost of the non-current asset is spread over the years which benefit from the use of that asset.
- The principle of prudence is also applied where the non-current asset is shown at its net book value in the SOFP/BS, thus overriding the principle of historical cost.
- Depreciation can be caused by Physical deterioration and/or Economic or other reasons and/or the passage of time.
- There are several methods of depreciation, the most appropriate one (which spreads cost fairly) must be used, but used consistently. Refer to TABLE 4 for the different methods of depreciation.

Method:	Formulae/ Additional info.	Notes:
Straight line method of depreciation/ fixed instalment method.	$\frac{Cost of asset - Residual value}{Number of expected years of use}$	The formula gives us a constant vale that has to be deducted from the asset per annum.The depreciation value and percentage stays constant.The value of the asset can fall to nil if there is no estimated residual value.

Method:	Formulae/ Additional info.	Notes:
Reducing Balance method of depreciation/ diminishing balance method of depreciation	This method is used when the greater benefits from the use of the asset have been gained in the earlier years of its life (the depreciation amount reduces).This method is used when assets become obsolete quickly.Any residual value is taken into consideration when the depreciation percentage is decided.The depreciation amounts are expressed in whole dollars and thus are rounded off.	The amount of depreciation reduces each year, but the percentage stays constant as depreciation is calculated on the net book value/ written down value.The value of the asset can never fall to nil as the depreciation is always calculated from the NBV
Revaluation method of depreciation	The assets are valued at the end of each financial year, and the amount is compared with the NBV of the previous financial year (or cost- if first year of ownership)The amount by which the value of the asset falls is the depreciation for that financial year	This method of depreciation is used when it is impractical/difficult to keep detailed records regarding certain non-current assets, e.g. Loose tools etc.

- Factors to be considered when choosing a method of depreciation are:
  - Life expectancy
  - Residual value
  - Estimated benefit from the use of the asset.
- If the straight-line method of depreciation has been used, the dep. Amt. stays constant.
- It is a business' choice whether to start depreciating the asset from the date of purchase, for example, only a proportion of the dep. may be charged (annual dep. /12* months of ownership till financial year end) OR it may be decided to ignore the date of purchase and record a full year of depreciation or not depreciate it in the year of purchase at all. The same applies for the sale of a non-current asset.
- When the revaluation method of depreciation is used, no provision for dep. A/C is created, the same (asset) A/C is used to calculate dep.
- Depreciation reduces the net profit of the year when it is debited into the IS from the provision for dep.
- In the SOFP the dep. to date (which is the accumulated dep. up till this financial year + depreciation for this year) is subtracted from the cost price to become the NBV (which thus reduces year by year).

Asset A/C format:

Date	Details	$	Date	Details	$
Year 1	Balance b/d	xxx	Year 1	Balance	xxx
	Bank A/C	xxx			
		xxx			xxx
Year 2	Balance b/d	xxx	Year 2	Balance c/d	xxx
		xxx			xxx
Year 3	Balance b/d	xxx		Asset disposal A/C	xxx
				Balance c/d	xxx
		xxx			xxx
Year 4	Balance b/d	xxx			

Provision for depreciation A/C format:

Date	Details	$	Date	Details	$
Year 1			Year 1		
Dec 31	Balance c/d	xxx	Dec 31	Income statement	xxx
Year 2			Year 2		
Dec 31	Balance c/d	xxx	Jan 1	Balance b/d	xxx
			Dec 31	Income Statement	xxx
		xxx			xxx
Year 3			Year 3		
Dec 31	Balance c/d	xxx	Jan 1	Balance b/d	xxx
			Dec 31	Income Statement	xxx
		xxx			xxx
			Year 4		
			Jan 1	Balance b/d	xxx

Asset Disposal A/C format:

Details	$	Details	$
Equipment (cost)	xxx	Provision for depreciation	xxx
Income statement	xxx	Bank	xxx
		Income statement	xxx
	xxx		xxx

- Just as entries are made in the ledger A/C s for depreciation and the sale of an NCA, the similar entries will be entered in the prime books (specifically the general/nominal journal)

4.3. Other payables and receivables

- Often, adjustments are made in the financial statements to present a more accurate view of the profit/loss of a business, these adjustments are known as year-end adjustments.
- In practice, it is common to find expenses or income paid in one financial year, but which relates to other financial years.
- Only items relating to the specified time-period should be included in the income statement: the timing of the actual

receipts and payments is not relevant. This is a practical application of the accruals principle.

- It is necessary to adjust the income statement with regards to amounts prepaid or accrued. This results in a more accurate profit/loss figure and therefore more meaningful comparisons can be made between financial statements of different years and businesses
- Accrued: an amount due in an accounting period which remains unpaid till the end of that period
- When an expense is accrued, it means that some benefit or service has been received during the accounting period, but this benefit or service has not been paid for by the end of the period.
- Prepaid expenses: A prepayment is an amount paid in advance. When an expense is prepaid, it means that a payment has been made during the financial year for some benefits or services to be received in a future accounting period.
- Outstanding amount is add to the respective expense and prepaid is subtracted from that expense
- Wherever several expenses are accrued, a collective figure is often showed in-place of posting individual figures.
- **For Expenses to be paid (due)/ Accrued expenses:** Total expenses incurred in the trading period (including ones not going to be paid for in this year, but have been incurred)- expenses to be paid for (opening Cr balance) = Amount To be transferred to IS.
- **Accrued Income:** Where an item of income is accrued it means a person receiving a benefit or service from the business during the accounting period has not paid for it by the end of the period.
- Prepaid income: Where an item of income is prepaid, it means that a person has paid for a benefit or service from the business, but this has not been provided by the business at the end of the financial year. The principle of accruals is applied to prepaid income, thus any amount for which the legal title of the goods or services have not been passed on to the buyer has to be deducted from the total income transferred to the IS and shown as a liability in the SOFP/BS.

Income Account Format:

Date	Details	$	Date	Details	$
	Balance b/d(arrears previous year)	xxx		Balance b/d(advance previous year)	xxx
	Income Statement(transfer)	xxx		Bank A/C(received during the year)	xxx
	Balance c/d (advance current year	xxx		Balance c/d(arrears current year)	xxx
		xxx			xxx
	Balance b/d	xxx		Balance b/d	xxx

Expense Account Format:

Date	Details	$	Date	Details	$
	Balance b/d(advance previous year)	xxx		Balance b/d(arrears previous year)	xxx
	Bank A/C(paid during the year)	xxx		Income Statement(transfer)	xxx
	Balance c/d(arrears current year)	xxx		Balance c/d (advance current year	xxx
		xxx			xxx
	Balance b/d	xxx		Balance b/d	xxx

4.4. Inventory Valuation

- Inventory must be valued at the end of the financial year. It is done at whichever is the lower between cost and net realisable value.
- **The cost of inventory includes:** Actual price + additional costs (like Carriage inwards or costs that bring the inventory to its current position)
- The net realisable value is the estimated receipt from the sale of the stock/inventory.
- Generally, the net realisable value > cost of inventory
- The examination will require a simple statement to be made from basic datalike the one on the next page.
  - ABC business (Valuation of inventory at DD/MM/YYY)
    - Type X- 50 units at 10 dollars per unit - $500
    - Type Y- 30 units at 5 dollars per unit - $150
    - **= $650**

4.5. Irrecoverable Debts and Provision for Doubtful Debts

- When goods are sold on credit, in real practice 100% of all these debts are not recovered. An amount not paid by the debtor is known as a bad debt. There is always a risk of this happening; this could be due the debtor being unable to pay, them dying etc. If all means of recovering the debt have been tried in vain, then the debt is written off. Their A/C is closed by crediting their A/C with the amount owing and debiting a bad debts A/C. At the end of the year, this amt. is transferred to the IS as a loss/expense.
- Writing off such debts is an application of prudence, thus not overstating one's profit (by not overestimating their assets).
- **Bad debts recovered: If a debtor pays some/all of their debt after it is written off,** the cash book is debited, and bad debts recovered A/C is credited with the amt. (s). paid. Alternatively, the debt can be reinstated by reversing the entry when it was written off, and then debiting the cash book and crediting the debtor's A/C.
- If no names and dates have been provided, the entry in the bad debts A/C could be stated as "debtors written off" on the last day of the accounting period.

- The only definite way of avoiding bad debts is by not selling goods on credit, which is not practical. Practical methods of reducing the chance of bad debts are: obtaining credit references from banks and other suppliers for a potential debtor, fixing a credit limit per debtor. The debts are monitored over time. This is known as credit control. Invoices and month end statements should be issued along with letters to notify debtors of any amounts outstanding. Legal action can be taken, but is too expensive and does not justify the funds recoverable.
- Going by the principle of prudence, businesses estimate the amounts lost due to possible bad debts, which also aligns with the principle of accruals (estimated bad debts from sales, are recorded in the year the sales are made, rather than the year the debts are actually written off). This shows the assets of the business at a more realistic value.
- **The amount to be estimated can done so by:** estimating this amount per debtor based on their A/C's individual debts/transactions; estimating the amounts based on past experience of a debtor and devising a percentage of debts estimated which won't be paid; using an aging schedule and assigning a higher percentage on older debts and vice versa (based on the logic that older debts are more unlikely to be paid than newer ones. In totality, a percentage can be set too, for e.g. 5% of the total trade receivables). This is generally given in an examination.
- **Creating a provision for doubtful debts:**
  - Dr IS and Cr provision for doubtful debts A/C
  - In the BS/SOFP deduct the balance in the provision for doubtful debts A/C from the trade receivables.
- In the IS the bad debts are showed along with the provision for doubtful debts as expenses, and in the BS/SOFP the deduction of the provision for doubtful debts is shown (on the total trade receivables which is already less any bad debts)
- The provision for doubtful debts may have to be changed if for example (if a percentage of debts is taken) the debts have increased/decreased or if an amount has been set for whatsoever reason and has to be changed. This adjustment is made at the end of the financial year.
- **Adjusting a provision for doubtful debts:**
  - If the provision has to be increased, then subtract it in the IS with the difference, and vice versa for a decrease.
  - In the BS/SOFP deduct the new provision for doubtful debts from the total trade receivables

Only the amount increased or decreased (on the provision for doubtful debts) is shown in the IS as the rest has been accounted for in previous accounting years/periods. If the amount is decreased, then the difference is recorded in the Income Statement as decrease/reduction in provision for doubtful debts as a form of income and vice versa for an increase.

Provision for Doubtful Debts format:

Date	Details	$	Date	Details	$
Year 1 Dec 31	Income Statement (if PDD is reduced)	xxx	Year 1 Jan 1	Balance b/d (previous year)	xxx
Year 1 Dec 31	Balance c/d (current year/balancing figure)		Year 1 Dec 31	Income Statement (balancing figure/created during the year)	xxx
			Year 1 Dec 31	Income Statement (if PDD is increased)	
		xxx			xxx
			Year 2 Jan 1	Balance b/d	xxx

5. Accounting Principles

5.1. Accounting Principles

- Business Entity/Accounting entity and ownership
  - The owner of a business is regarded as being completely separate from the business and vice versa
  - The personal assets, spending, liabilities etc. Of the owner do not appear in the accounting records of the business and vice versa. Every (financial) transaction is recorded from the view point of the business
  - If a transaction involves both the owner and the business, it involves either the capital A/C or the drawings A/C or the current A/C
- Duality/Dual aspect
  - Every (financial) transaction has 2 aspects- a giving and a receiving.
  - Applied in the double entry system of bookkeeping
- Money measurement
  - Only info. Which can be expressed in terms of money can be recorded in the accounting records.
  - Several aspects of a business such as staff expertise, the morale of the workforce, the release of a competitor product etc. Will not be shown in the accounting records as its value cannot be given a concrete monetary value.
  - Money is a traditionally recognized unit of measuring the value of an item/ transaction. It is factual and not based on personal opinions
- Realization
  - A profit should not be recorded before it is earned, i.e. Profit is only recorded when the legal title of goods or services passes on from the seller to the buyer (who is obliged to pay for them).
  - The confirmation of the buying of goods doesn't really mean anything as the legal title of the goods hasn't yet changed from the seller to the buyer (No transfer of goods)

  - This principle is even followed if goods are sold on Cr and the customer hasn't made a payment- The transaction will still be recorded as income)
- Going Concern
  - It is assumed that the business will continue to operate for an indefinite period of time and that there is no intention to close down the business or reduce its size by a considerable amount
  - The accounting records of a business are always maintained on the basis of assumed continuity. Non-current assets will be shown at their NBV (cost less depreciation) and not a possibly quasi-realistic estimate. Inventory will be valued at a price lower than its cost / net realizable value
  - If it is expected that the business will cease to operate in the near future, all asset values on SOFP can be adjusted towards their market values thus these values become more meaningful than their book values
- Historical cost
  - All assets and expenses are recorded in the ledger accounts at their actual cost.
  - At times a more prudent approach is taken whenever applying this Principle, thus depreciating the value of non-current assets thus bringing the value closer to a net realizable value
  - Applying this principle makes it difficult to compare financial transactions due to inflation. Prudence precedes Historical Cost, always.
- Accounting Period
  - Because reports are required at regular intervals, the life of a business is divided into accounting periods- usually years.
  - Useful comparisons can be made with the business itself over time. The total expenses of a period will be transferred to the income statement. Balances at the end of a trading period (amounts which do not pertain to the specific financial year) are carried down to become the opening balance of the next trading period.
  - According to going concern, the business should operate forever, so to prepare financial statements, it's lifetime is divided into years
- Consistency
  - When a choice of method is available, if one is chosen (with the most realistic outcome), it must be followed throughout the coming accounting periods.
  - The reducing balance method of dep. For e.g. is consistently used to depreciate delivery vans
  - A comparison of financial statements from one accounting period to the next will be made difficult if this principle is not followed.
- Accruals/Matching
  - The revenue of a period is matched against the corresponding expenses pertaining to the period
  - Example: Insurance is prepaid for 2 months at the end of the accounting period ($40 intotal).Atthestartofthesameaccountingperiodinsurancedue =$ 20, Insurance paid = $300, Thereforeinsurancepertainingtothecurre$ 300(paid) - $40 (prepaid) -$ 20 (for the previous accounting period)
  - Extension of the principle of realization; includes other expenses and other income.
- Prudence
  - Ensures the accounting records present a realistic picture of the business.
  - Profits and assets should not be overstated. Liabilities and expenses should not be understated and all possible losses should be accounted for appropriately (provision for doubtful debts is maintained)Profit should only be recognized once all possible losses are accounted for.
  - Prudence precedes all principles; bad debts are written off after a certain period, even though the income is realized. Provisions are made for depreciation and possible bad debts.
- Materiality
  - Items of low value (low cost NCA or what comes under sundry expenses for e.g.) are either grouped or recorded in ways where other principles may be ignored
  - Immaterial non-current assets which cost more to account for spreading over their cost over their useful life are recorded as expenses. E.g. Inventories of office supplies are not considered in the financial statements as they are considered immaterial
  - A large business which operates on a global scale might not record the purchase of a laptop as capital expenditure although it is clearly a NCA), but sole traders will.

5.2. Accounting Policies

- Policies set up by the IAS (International Accounting Standards) regulate how international accounting records are maintained.
- Accounting policies and principles are selected based on:
  - **Relevance:** financial information is relevant only if it affects the business decisions, as they are the base of further decisions that will be taken. Information in financial statements can be used to alter or reconfirm future expectations, set future goals etc and thus must be relevant
  - **Reliability:** financial information is reliable only if it can be depended upon to represent actual events and is free from error and bias. Financial statements must be capable of being independently verifiable and free from any significant errors. Whenever judgments or estimates are being made, suitable caution must be taken.
  - **Understandability:** financial reports must be capable of being understood by the users of that report (who are assumed to have basic accounting knowledge). No information should be omitted from the financial

statements because it is thought to be too difficult to understand.
- **Comparability:** a financial report can only be effectively compared with reports for other periods of the same or similar businesses if similarities and differences can be identified. The differences in policies must be identified to make valid comparisons

6. Verification of Accounting Records

6.1. The Trial Balance

- It is a statement which is prepared to check the arithmetical accuracy of ledger accounts.
- As mentioned, a transaction has one Dr effect and one Cr effect equal in amount, therefore all the total debits should equal the total credits.
- It shows that the total Dr balance = the total Cr balance.
- The Trial Balance is a statement of ledger balances on a particular date
- **How A/C (s) are shown in the trial balance:**
  - If the debit side of an A/C has greater value than the credit side, then the difference is recorded as a debit balance
  - If the credit side of an A/C has greater value than the debit side, then the difference is recorded as a credit balance

Accounts that normally have Dr balances (EAD)	Accounts that normally have Cr balances (CLIP)
Assets	Liabilities
Expenses	Incomes
Drawings	Capital
Purchases	**Sales**
Sales Returns (E)	Purchase Returns

- It is not a part of the double-entry system.

Trial Balance for the year ended....

Details	Dr $	Cr $
All assets	xxx	
All liabilities		xxx
All expenses	xxx	
All income		xxx
Any provision		xxx
Sales		xxx
Purchase	xxx	
Sales returns	xxx	
Purchase return		xxx
Capital		xxx
Drawings	xxx	
	xxx	**xxx**

- Closing inventory is not shown in the trial balance.
- The Trial balance is useful in locating arithmetic errors, but cannot guarantee an error free ledger. It is also useful in preparing financial statements. If the Dr & Cr columns totals tally, then the ledgers are arithmetically correct.

Errors the trial balance cannot detect:

Name	Description of entries made
Error of commission	Correct amount, correct side, but wrong A/C of correct class
Error of complete reversal	Correct amount, correct A/C, but wrong side of each A/C
Error of omission	Transaction completely omitted from the ledgers
Error of original entry	Incorrect figure used for both entries
Error of Principle	Correct amount, correct side, but wrong class of A/C
Compensating errors	Two or more errors cancel each other out

- A trial balance may not always tally. This might be because:
  - An error of addition within the TB
  - An error of addition in the ledger A/C s
  - Double-entry figures differ
  - An only a single entry made instead of a double entry
  - Both entries made in the same side of the ledger
- **To locate errors:**
  - Check TB and ledger balance addition
  - Check that ledger A/C balance is entered on the correct side (Dr or Cr)
  - Check that every ledger A/C balance is entered in the trial balance
  - Look for a transaction equal to the difference in the totals of the TB & check for its double entry.
  - Look for a transaction that is equal to half the difference & then check whether it has been entered on the same side twice.
  - Check the double entry for each transaction after the previous trial balance was made (last resort).
- **Practical Tip:** If the difference in the totals of the TB is perfectly divisible by 9, then check if an amount has been entered without a zero (e.g. If 99 has been entered as debit instead of 990, the difference 891 can be divided by 9 perfectly giving 99. Thus, any transactions with the value 99 can be located and rectified)

6.2. Correction of errors

- If the trial balance does not tally, and not errors are immediately identifiable, a suspense A/C is prepared by making an entry to balance the trial balance (by inserting the difference). Thus, Draft financial statements can be prepared. As and when errors are found, they are corrected through journal entries.

- The correction of these errors is made through the general/nominal journal. E.g. Cash Sales of $50 was not credited in the cash book Entry in Journal

Date	Details	Debit	Credit
23/02/12	Suspense A/C..........Dr	50	
	Sales A/C		50
	Half entry made for sales, now corrected		

- Errors which do not affect the tallying of the trial balance (commission, compensating, complete reversal, original entry, omission and principle) are also corrected through the journal by making the appropriate debits and credit s to reverse the error and make the correct entry. E.g. Cash Sales of 250 dollars recorded as Credit sales for B Dawg. Correction would be : Debit- 250- Cash book, Credit - 250 B Dawg A/C Narrative: Cash sales mistakenly recorded as credit sales, now rectified.
- In the exam, a full journal entry would have to be made like in the previous example.
- In the preparation of draft financial statements, if the difference on the suspense A/C is a debit balance, it is recorded in the SOFP as an asset and a liability if the suspense A/C has a credit balance.
- As corrections are made, the profit might be affected. If any item affects the trading section of the IS, then both the gross and net profit are affected, but if an item affects only the PNL, it will affect only the Net Profit.
- To amend the profits, a statement of corrected profit is made.
- If expenses have been omitted, profit for the year will decrease with the correction and vice versa for income.
- Correcting the profit for the year also means the SOFP is also altered. The needed changes will also have to be made to all appropriate sections of the SOFP. If the expenses have increased, then the profit will decrease etc. Basic concepts will have to be applied in correcting profit.

6.3. Bank Reconciliation

- A bank statement is a statement of account equivalent issued by the bank to a business showing the bank transactions pertaining to a particular period. It is the opposite of the business' bank account in the business' ledger (debit will be credit and vice versa.) It's basically a copy of the customer's account in the bank's ledger.
- If the two balances (on the bank statement and the bank a/c) don't match, it is necessary to reconcile them to explain why there is difference.
- There is generally always a difference, as the business and the bank don't record transactions at the same time (difference due to the clearance period.) and certain other items are not included in certain A/C (s)
- **Items in cash book not in bank statement:**
  - Cheques not yet presented
  - Amounts not yet credited
  - Errors in cash book (to be corrected)
- **Items in bank statement but not in cash book:**
  - Bank charges and bank interests
  - Dishonoured cheque(s)
  - Standing order (an instruction to a bank by an account holder to make regular fixed payments to a person or organisation)
  - Credit transfer (a wire transfers)
  - Direct Debits (an arrangement made with a bank that allows a third party to transfer money from a person's account on agreed dates, typically to pay bills)
  - Errors in bank statement (to be corrected)
- To compare the cash book with the bank statement, the credit side of the bank statement is compared to the debit side of the cash book, as these transactions are recorded from opposite points of views. A tick is placed against transactions that match up.
- The cash book is then updated with items not in it and in the bank statement (obviously excluding errors)
- **Items debited in the bank statement but not credited in the cash book**
  - Charges, credit transfers paid into the bank, standing orders, dishonoured cheques etc.
- **Items credited on the bank statement but not debited in the cash book**
  - Credit transfers and direct debits paid into the bank, etc.
- **Preparing a bank reconciliation statement:**
  - Match up the debit side of the statement with the credit side of the bank account and credit side of the statement with the debit side of the bank account. CHECK FOR ANY TOTALLING ERRORS ETC.
  - Correct any errors in the cash book and balance and carry down the balance (this balance should appear on the SOFP if it is the last day of the financial year and is the amount the bank statement's balance has to be reconciled to.
  - Prepare the BRS
  - USE PARENTHESIS OVER AMOUNTS THAT HAVE A CREDIT BALANCE
  - CHECK THE STARTING BALANCES OF THE BANK STATEMENT AND BANK ACCOUNT FOR ANY DISCREPANCIES.
  - If errors are present in the bank statement correct them in the BRS.
- **Advantages of Bank Reconciliation:**
  - An accurate bank balance is obtained (after updating)
  - Errors in the bank account and bank statement can be identified and corrected.
  - Helps in discovering fraud and embezzlement (theft or misappropriation of funds placed in one's trust or belonging to one's employer).

- Amounts not credited and cheque(s) not yet presented can be identified.
- Any 'stale' cheque(s) can be identified (older than 6 months) and written back into the bank account.

6.4. Control A/C(s)

- Control A/C are ledger A/Cs that represent all the individual debtors' and creditors' A/Cs in a trade receivables control A/C and a trade payables control A/C.
- The trade receivables control A/C contains the total balance of trade payables at a given date.
- The trade receivables control A/C contains the total balance of trade receivables at a given date. This is checked about every month, and if it does not agree either there is an error in the control A/C or in the debtors'/creditors' A/C
- If the trial balance does not tally/balance, and errors are not readily located, the accounting records will have to be checked which is very time consuming. This process can be made faster if sales and purchases ledger control A/C(s) are prepared. They individually contain the total trade receivables and payables that are recorded from the prime books. They thus act as a check on these A/C (s)
- These however, can only check arithmetical accuracy. Errors of omission and commission will not be revealed.
- When a full set of accounting records are maintained, it is usual to also prepare a sales and purchases ledger control A/C for the following reasons:
  - Help with the locating of errors when the TB does not tally.
  - Proof of arithmetical accuracy of the ledgers they control.
  - Draft financial statements can quickly be prepared because theses A/C(s) show the total amt. directly.
  - Help reduce fraud as the maker of these A/C(s) are not the same as the maker of the ledgers for the particular A/C (s)
  - They provide a summary of the transactions affecting the debtor and creditors for each period.
- Note: the control A/C(s) are not a part of the double-entry system of bookkeeping.
- Purchases Ledger Control A/C = Total Trade Payables A/C
- Sales Ledger Control A/C = Total Trade Receivables A/C
- These A/C(s) only show the debtors and creditors that arise from the regular trading of the business.
- Balances on both sides of a control A/C can be present if:

Overpayment by a debtor	Overpayment to a creditor
Debtor returns good after paying the account	Returning goods to the creditor after paying the A/C
Debtor pays in advance of the goods	Paying the creditor in advance for the goods
Cash discount not being informed of before payment was made and then full payment made.	Cash discount not being informed about before payment being made.

- The opposite balances are not netted out. They are shown separately with the credit balance showing amounts owing to and debit balances showing amounts owed to the business.

Sales Ledger Control Account Format:

Dates	Details	$	Dates	Details	$
	Balance b/d	xxx		Balance b/d	xxx
	Sales	xxx		Bank/Cash	xxx
	Bank (Dishonored Cheque)	xxx		Discount Allowed	xxx
	Bank/Cash (refunds)	xxx		Sales Returns	xxx
	Interest charged	xxx		Bad debts	xxx
				Contra/Set-off (transfer to purchase ledger)	xxx
				Balance c/d	xxx
		xxx			xxx
	Balance b/d	xxx			

- To prepare a sales ledger control account is obtained from the books of prime entry.

Item	Source
Sales	Sales Journal
Sales returns	Sales return journal
Cash and cheques received from debtors	Cash book
Discount allowed to debtors	Cash book
Dishonored cheques	Cash book
Refunds to debtors	Cash book
Bad debts written off	Journal
Interest charged on overdue accounts	Journal

Purchases Ledger Control Account:

Dates	Details	$	Dates	Details	$
	Balance b/d	xxx		Balance b/d	xxx
	Cash/Bank	xxx		Credit Purchases	xxx
	Discount received	xxx		Interest charged	xxx
	Purchase returns	xxx		Bank/Cash (refunds from trade payables)	xxx
	Contra/Set-off \n (transfer to purchase ledger)	xxx			
	Balance c/d	xxx			
		xxx			xxx
				Balance b/d	xxx

- To prepare a purchase ledger control account is obtained from the books of prime entry.

Item	Source
Purchases	Purchases journal
Purchases returns	Purchases returns journal
Cash and cheques paid to creditors	Cash book
Discount received from creditors	Cash book
Refunds from creditors	Cash book
Interest charged on overdue accounts	Journal

Contra entries in Control A/C(s): Inter ledger transfers are made to show businesses setting off their debts in the case if both businesses trade with each other. There are 2 ledger A/C(s) made for such businesses one in the debtor's ledger and one in the creditors' ledger. Setting off their A/C (s) is preferred over both businesses sending a cheque to each other as now only one check is sent across

- **E.g.** Trader A owes Trader B 10 dollars, and Trader B owes Trader A 5 dollars. Traders A and B will set off their A/C(s) and the net figure of 5 dollars is paid by Trader A

7. Financial Statements of Sole Trader

7.1. Income Statement

- To find out the result of their business transactions, the sole trade will prepare:
  - Income statement
  - Statement of Financial Position
- These are prepared at the end of the financial year to know the profit/loss and the value of assets and liabilities at a particular date.
- Income statement:
  - Trading section
  - Profit/Loss section
- Trading A/C is concerned with buying and selling goods, calculates gross profit (Rev- COS).
  - Revenue = net sales (Sales less returns)
  - COS= total cost of goods only sold, i.e. Not always all the goods bought.
  - COS= OI+P-CI [Opening inventory + (net purchases, less any additional purchases drawings and/or returns)– Closing inventory]
  - P(net)= Purchases - Purchases Returns + Carriage inwards- goods for own use.
  - NOTE: Cash discount/discount allowed and discount received will not be included in the trading A/C as they arise from the early payment of debts, and are not sales related.

- The income statement (PNL and Trading A/C) should have a heading regarding the financial year/period covered and the name of the business trading.

Income Statement format:

Details	$	$	$
Revenue		xxx	
Less: Sales returns		xxx	xxx
Less: COGS			
Opening Inventory		xxx	
Net Purchases		xxx	
Carriage Inwards		xxx	
Closing Inventory		(xxx)	(xxx)
GROSS PROFIT			xxx
Add: Income	xxx		
Less: Pre-paid income	(xxx)		
Add: Outstanding income	xxx	xxx	
Total			xxx
Less: Expenses	xxx		
Add: Outstanding	xxx		
Less: Prepaid	(xxx)	xxx	(xxx)
PROFIT/LOSS FOR THE YEAR			xxx

7.2. Statement of Financial Position

- The statement of financial position of a business on a certain date and shows the assets of a business as being equal to its capital plus any other liabilities (amount owed i.e. The assets show how the resources are being used and the liabilities show where these resources come from.

Balance sheet Format

Balance sheet as at....

Details	Cost	Dep	NBV
Non Current Assets:			
Premises	xxx	(xxx)	xxx
Land	xxx	(xxx)	xxx
Building	xxx	(xxx)	xxx
Motor vehicle	xxx	(xxx)	xxx
Equipment etc.	xxx	(xxx)	xxx
			xxx
Current Assets:			
Closing Inventory		xxx	
Account Receivable/Trade receivables	xxx		
(-)Allowances for doubtful debts	(xxx)	xxx	
Cash at bank		xxx	
Cash in hand		xxx	
Prepayment		xxx	xxx

Details	Cost	Dep	NBV
Total Assets/Closing capital			xxx
Financed by:			
Capital		xxx	
Net profit		xxx	
(-)Drawing		(xxx)	xxx
Current liabilities:			
Account payable/Trade payable		xxx	
Bank over draft		xxx	
Accrued expenses		xxx	xxx
Long term liabilities:			
Bank loan			xxx
Debenture			xxx
Long-term loan			xxx
			xxx

- Non-current liabilities are those which are not due in the next 12 months (E.g.: long term loans)
- Current liabilities are short term ones (due within the next 12 months) and arise from the regular trading activities of the business whose values constantly change (E.g. trade payables)
- Assets and liabilities are arranged in different groups:
  - Assets are divided into current (Values are constantly changing, short term assets which arise from the regular trading of the business, E.g.: Inventory) and non-current assets (long term assets which are not used for resale but help the business earn revenue. E.g.: Motor Vehicles)
  - Non-current assets are listed in order of increasing liquidity (liquid= least permanent) (The ability to be converted into cash), typically: Land and buildings, Machinery, Fixtures and equipment and motor vehicles.
  - Current assets are also listed in order of increasing liquidity (furthest away from cash shown first), typically: Inventory, Trade receivables, Other receivables, Bank, Cash. Trade receivables are said to be more liquid as compared to the inventory as they can be sold to other businesses.
  - Current and Non-current liabilities appear in ascending order of which liability will have to be paid first. Note: Other payables will appear after trade payables.
- A SOFP should have the heading to the date to which it relates and must include the trading name of the business.
- After all the financial statements are prepared every item on the trial balance must have one effect (either IS or SOFP) on the financial statements and additional notes will have 2 effects on the financial statements (one on the IS and the other on the SOFP)
- The balance of the capital A/C will increase in the SOFP if the business has made a profit or decrease if the business has made a loss.
- When the business makes a profit, it is added to the capital as the amount owed by the business increases and thus it can be concluded that a profit is an increase in net assets (capital)

7.3. Service business

- A service business is one which doesn't buy and sell goods
- The financial statements of a service business still need to be prepared with the difference only income statement as only the profit/loss section is prepared with no trading section
  - Format:

Details	$	$
Commission/Fees/Rent Received		xxx
Add: Income	xxx	
Add outstanding, Less Prepaid	xxx	xxx
		xxx
Less: Expenses	xxx	
Add Outstanding, Less prepaid	xxx	xxx
PROFIT/LOSS FOR THE YEAR		xxx

8. Financial Statements of Partnerships

8.1. Partnerships

- A partnership is a business in which 2 or more (max. 20 – normal) people come together and work with the view of making profits.
- Several professionals such as accountants and solicitors come together to form a partnership. This is common amongst family businesses. At times sole traders expand by amalgamating their businesses.
- An additional account is made- the profit and loss appropriation A/C, which shows how the profit for the year or loss for the year is shared between the partners
- Partnership businesses:

Advantages	Disadvantages
Additional finance	Profits have to shared
Additional knowledge, experience and skill	Decisions have to be recognized by all partners
Responsibilities are shared	One partner's decision affects all other partners.
Discussions before decision	All partners responsible for the debts of the business

- Most partnerships draw up a partnership agreement. Not legally required, but it helps prevent misunderstandings and arguments in the future. It's clauses cover aspects of the business like : Capital invested per partner, sharing of profits or loss, interest on capital invested, salaries of partners, possible upper limit on drawings, interest on drawings, interest on partners loan to company.

- Money is borrowed from a partner for a particular span of time if necessary; note this is NOT a part of capital. It is treated exactly like a normal loan, just that its interest (if accrued) can be recorded in the current A/C of the partner instead of a separate liability A/C. If the interest is paid it is recorded in a regular interest on loan A/C
- The capital A/C prepared in a partnership A/C can either have 2 or more sections for the partners, or several A/C(s) can be prepared. These capital A/Cs refer to fixed capital A/Cs. For other entries involving partners a separate current A/C and drawings A/C is made.

8.2. Capital and Current A/C

Current Account Format:

Date	Details	A $	B $	Date	Details	A $	B $
1	Balance b/d	xxx	xxx	1	Balance b/d	xxx	xxx
31	Interest on drawing	xxx	xxx		Interest on capital	xxx	xxx
31	Drawing	xxx	xxx		Interest on loan		
31	Balance c/d	xxx	xxx		Salaries	xxx	xxx
					Profit Share	xxx	xxx
		xxx	xxx			xxx	xxx

8.3. Income Statement

- It is the same as sole trader

Statement of Financial Position (SOFP)

Format:
Statement of financial position at.....

Details	Y	Z	$
Capital Accounts	xxx	xxx	xxx
Current Accounts			
Opening balance	xxx	xxx	
Salary	xxx		
Interest on loan	xxx	xxx	
Shares of profit	xxx	xxx	
	xxx	xxx	
Drawings	(xxx)	(xxx)	
Interest on drawings	(xxx)	(xxx)	
	xxx	xxx	xxx
			xxx

8.4. Profit and loss appropriation A/C

- The profit for the year is taken, interest on drawings is added, and interest on capital is deducted, salaries to partners are deducted and any other items are included as appropriate. The final amount after the appropriation (residual profit) is shared.
- **Format:**

Net Profit before adjustment		xxx
Interest on drawing		
Partner A	xxx	
Partner B	xxx	xxx
		xxx
Interest on capital		
Partner A	xxx	
Partner B	xxx	(xxx)
		xxx
Salaries		
Partner A	xxx	
Partner B	xxx	(xxx)
Net Profit after adjustment		xxx

9. Financial Statements of Limited Companies

- A limited company is a business which is a separate legal entity from its owners (shareholders) and whose liability for the company is limited to the value of shares they hold.
- A limited company can be formed as a new business or a sole trader or partnership can be converted into a limited company for expansion purposes.
- The capital of a limited company is divided into units called shares and the face value of the share(s) is the extent to which the shareholders are liable for the debts of the company.
- Through shares a large amount of capital can be raised.
- Profits are distributed as dividends which are stated as a percentage of the face values of the shares.
- There are 2 kinds of shares:

Preference Shares	Ordinary/ Equity shares
Fixed rate of dividend	Dividend depends on profit
Fixed rate and amount of dividend	Variable rate and amount of dividend
Dividend is always paid, but if profit does not allow, will be paid in the future when sufficient funds available.	Dividend can be paid. If profits allow for high dividend- paid, else even no divided is possible
Preference is given to these shares when it comes to dividend payment	Holders have some involvement in the running of the business and can vote at shareholder's meetings at one vote paid share.

Preference Shares	Ordinary/ Equity shares
Holders have minimal involvement in running of the company and are usually not entitled to vote at shareholder's meetings.	Included in the profit and loss appropriation A/C
Included in the PNL (Income Statement)	

- All the shareholders cannot be involved in the day-to-day decision making of a company, so a board of directors (elected), CEO Etc. are hired. Any legal action against the company is against the company itself and not its members.
- Earlier, when a business was formed a maximum (limit) of capital issued had to be stated - **authorised share capital**.
- Share capital issued is called **issued share capital** (this is the value of the shares issued). More can be issued at a later stage whenever required.
- A company may not require the full value of the **called-up capital** and may only require a fraction of it (if a share is worth 1 dollar, the company may only call up 0.50 dollars per share). If more capital is required, it can be "called up". Since some shareholders may not pay the called-up capital per share, the actual called up capital received is known as the **paid-up capital.**
- A company might raise additional funds by issuing debentures (loan capital) or loan notes, where through small loans, several thousands of dollars may be raised. They carry a fixed rate of interest and are given preference over all payments including the payment of dividends on preference shares. Interest on Debentures are included in the income statement. Debentures holders are not members of the company nor do they own any part of the company and do not have voting rights at shareholders meetings. If a company dissolves, the liabilities and debenture holders are repaid first, then the preference shareholders are paid after which ordinary shareholders are paid
- Limited companies are required to publish a statement of changes in equity, some may prepare a profit and loss appropriation A/C.
- A statement of changes in equity is like the capital section of a statement of financial position, which changes over time. It shows the reserves and any transfers made from the retained profits to the general reserve for e.g.
- Proposed dividend is not included in the books of accounts.
- Interim ordinary dividend might be paid during the year, as this is already paid, it is shown in the SOFP at the end of the financial year.
- If it is known that a certain dividend is paid per year in total, for e.g.: 5000 dollars. If the interim ordinary dividend paid is 3000 dollars, then 2000 dollars ($5000-3000$) is declared as the proposed ordinary share dividend and included in statement of financial position.
- Mostly, all the profit made by a limited company is not given out as dividend, any even if it is intended to do so, it may not be possible, as not enough cash maybe in hand or assets in a liquid form etc.
- If any dividend or interest on debentures accrues, it is shown in the statement of financial position as a current liability.
- Whatever profit is not distributed and/or put into a general reserve (to plough back profits to aid further growth) will be transferred to the retained profit and is shown in the SOFP under reserves which is added to the share capital.
- The capital section of the statement of financial position of a limited company includes the share capital, reserves (e.g. general reserve, retained profits refer to funds ploughed back over the years, etc) under the heading Capital and Reserves.
  The total of these values = Shareholder's fund.

9.2. Income Statement

Limited company income statement format:

Details	$
Revenue	xxx
Cost of sales	(xxx)
Gross profit	xxx
Administrative expenses	(xxx)
Distribution expenses	(xxx)
Profit from operations	xxx
Finance cost	(xxx)
Profit for the year	xxx

9.3. Statement of Changes in Equity

Format:

	Ordinary share capital	Preference share capital	General reserve	Retained earnings	Total
Details	**$**	**$**	**$**	**$**	**$**
Balance (date at beginning of year)	xxx	xxx	xxx	xxx	xxx
Profit for the year				xxx	xxx
Dividends paid				(xxx)	(xxx)
Transfer to general reserve			xxx	(xxx)	---
Balance(date at end of year)	xxx	xxx	xxx	xxx	xxx

9.4. Statement of Financial Position

Format:
Statement of financial position at……

Details	$	$	$
	Cost	Dep	NBV
Non-current assets	xxx	(xxx)	(xxx)
Current assets			
Inventory		xxx	
Trade receivables		xxx	
Other receivables		xxx	
Bank		xxx	xxx
Total assets			xxx
Equity			
Issued share capital		xxx	
Ordinary Shares		xxx	
General reserve		xxx	
Retained earnings		xxx	
Total equity			xxx
Non-current liabilities			
Debentures			xxx
Current liabilities			
Trade payables		xxx	
Other payables		xxx	xxx
			xxx

10. Clubs and Societies

- Certain organisations are non-trading, such as clubs, or societies. Their main objective is not to make a profit, but to provide facilities to its members.
- The main source of income for these organisations is subscriptions (usually an annual payment to the organisation for the usage of facilities provided). A treasurer is assigned who manages all of this and pays the money owing to external entities and collects money owing to the organisation.
- **Terminology in the Financial Statements and Accounting Records:**

Business Terminology:	Clubs and Societies/ Non- Trading Organisations Terminology:
Summary of cash and bank book	Receipts and Payments A/C
Trading A/C	Trading A/C
Profit and loss A/C	Income and expenditure A/C (will only have the contents: Income and Expenditure. There will be no other income/expenses here.)
Balance Sheet/SOFP	Balance Sheet/SOFP
Profit for the year (Net profit)	Surplus
Loss for the year (Net loss)	Deficit

- A surplus is the excess of income over expenditure whereas a deficit is the excess of expenditure over income. The principles used to prepare a profit and loss A/C are like those applied when preparing an income and expenditure A/C.
- If any fund-raising activity like a competition is conducted, it is important to set off the income against the expenditure for that activity in the income and expenditure A/C.
- Subscriptions owing or prepaid can be included under other receivables and other payables respectively and an appropriate note should be included.
- To correctly match the expenses against the income, the subscriptions relating to a particular time frame must be included in the income and expenditure A/C. A subscription's A/C is prepared to calculate this figure. There could be 2 balances on this A/C as some members might have paid for their subscriptions in advance and some have not yet done so. They need to be kept a track of individually.

10.1. Subscription A/C format

Details	$	Details	$
Balance b/d (Outstanding previous year)	xxx	Balance b/d (Advance previous year)	xxx
Income for current year (Income & Expenditure A/c)	xxx	Receipts during the year (Bank A/c)	xxx
Closing balance c/d (Advance current year)	xxx	Balance c/d (Outstanding current year)	xxx
	xxx		xxx
Balance b/d(subscriptions due)	xxx	Balance b/d (subscriptions received in advance)	xxx

10.2. Receipts and Payments A/C

- The receipts and payments A/C mostly does not differentiate between cash and bank transactions. For the most part it is exactly like a cash book. Note: The balances on the A/C can either mean just cash, just bank or both. A credit balance brought down means an overdraft.
- **Receipts and Payments A/C Format**

Receipts		**Payments**	
Details	**$**	**Details**	$
Opening Balance b/d	xxx	Expenses	xxx

Receipts		Payments	
Members subscription	xxx	Purchase of non-current assets	xxx
Donations	xxx	Closing balance c/d	xxx
Receipts from activities	xxx		
Proceeds from the sales of non-current assets	xxx		
	xxx		xxx
Balance c/d	xxx		

- The receipts and payments A/C only shows funds received or payed, it does not show the actual income or expenses for the financial period. These will have to be calculated with adequate information.
- Clubs and societies trade. Those that do, do not regard it as their main source of income. They maintain a separate income statement (only the trading A/C section) for each of these activities. The wages of shop attendants, depreciation on café equipment etc. Any profit or loss from these activities is transferred to the income and expenditure A/C under other income/ expenses.

10.3. Income and Expenditure A/C

Income and expenditure account format:

Income and expenditure acc for the year ended.......

Details	$	$	$
Income			
Members Subscriptions		xxx	
Profit on café		xxx	
Sports Competition			
Sale of tickets	xxx		
(-)Competition prizes	(xxx)		
		xxx	
Donations		xxx	
Profit on disposal of non-current asset		xxx	
			xxx
Expenditure			
Expenses		xxx	
Depreciation of non-current assets			
Loss on social evening			
Sales of tickets	xxx		
(-)expenses	(xxx)		
		xxx	
Loss on disposal of non-current asset		xxx	
			xxx
Surplus for year			xxx

10.4. Statement of Affairs

- The balance sheet of a club or society is very similar to that of a business; however, capital does not exist. This is because members of a club or society do not invest money and draw out funds the same way a proprietor of business does. Any surplus is accumulated to form the capital fund known as the accumulated fund. Similarly, a deficit decreases this fund.
- Just as in a business Assets= capital + liabilities, in a club of society: Assets= Accumulated funds + Liabilities.

Details	$	$
Assets:		
	xxx	
	xxx	
	xxx	xxx
Less: Liabilities:		
	xxx	
	xxx	(xxx)
Accumulated Fund		xxx

11. Manufacturing Businesses

- Certain businesses don't just buy and sell goods, there are also manufacturing businesses, like a textile manufacturer who make clothes.
- The double entry records for these businesses will be like that of a trading business. Additionally, there will be a manufacturing A/C, which is used to calculate the cost involved for the business to manufacture goods it has produced in a particular financial year.
- Types of inventory:
  - Raw Materials
  - Work in Progress
  - Finished Goods

11.2. Manufacturing A/C

- Manufacturing A/c is prepared, in order to know the cost of production of finished goods using the formula:
  - Prime Cost + Factory Overheads
  - Prime Cost = Direct Material + Direct Labour + Direct Expenses
- Calculation of unit cost: if a manufacturer makes one identical product, its unit cost can be calculated by the formula: $\frac{UnitCost}{CostofProduction}$

Manufacturing A/C Format

Details	$	$
Opening Stock of Raw Material	xxx	
Purchase of Raw material	xxx	
	xxx	
Closing Stock of Raw Material	(xxx)	xxx
Cost of Raw material consumed		xxx

Details	$	$
Direct expenses		
Factory wages	xxx	
Machine hire etc	xxx	xxx
Prime cost		xxx
Machine repairs	xxx	
Machine depreciation	xxx	
Factory rent and property taxes	xxx	
Insurance	xxx	
Heat and light	xxx	
Indirect factory wages and salaries etc	xxx	
Total indirect cost		xxx
Cost of production		xxx

11.3. Income Statement & SOFP

Income statement format:

Detail	$	$
Revenue	xxx	
(-)returns inwards	(xxx)	
		xxx
Opening inventory of the finished goods	xxx	
Add cost of production	xxx	
Purchases of finished goods	xxx	
	xxx	
(-)Less closing inventory of finished goods	(xxx)	
Cost of sales of finished goods		(xxx)
Gross profit		xxx
Add other income		xxx
		xxx
(-)Expenses:		
Administration expenses	xxx	
Distribution expenses	xxx	
Financial costs	xxx	
Selling expenses	xxx	
Depreciation of non-factory non-current assets	xxx	
		(xxx)
Profit for the year		xxx

Statement of financial position format:

Details	$	$
CURRENT ASSETS		
Inventories		
Raw materials	xxx	
Work in progress	xxx	
Finished goods	xxx	

Details	$	$
		xxx

12. Incomplete Records

- Certain businesses do not maintain a full set of double entry bookkeeping records (for example small businesses). No trial balance can be drawn up for them and some preparatory calculations are required before they can start preparing their financial statements.
- Under single entry system, none of the aspects (Dr. or Cr.) of the financial transaction are recorded, one of the aspects are recorded or both the aspects are recorded
- When a list of assets and liabilities is prepared without any double entry bookkeeping, it is known as a statement of affairs which is like a balance sheet.

12.2. Why is the single entry system used?

- Usually small businesses don't maintain complete records of accounting books such as sole traders, partnerships
- Business which are not supposed to compulsorily maintain financial statement by law generally adopt single entry system
- Since maintenance of books of accounts involves lot of accounting knowledge and manual work, businesses prefer to not maintain complete books
- Cheaper as number of books is less and accountant/clerk/cashier need not be appointed

12.3. Capital Account Format

Date	Details	$	Date	Details	$
Year 1Dec 31	Drawing	xxx	Year 1Jan 1	Balance b/d	xxx
	Balance c/d	xxx	Jan 1	Bank	xxx
				Profit	?
		xxx			xxx
			Year 2Jan 1	Balance b/d	xxx

- To calculate profit, a capital A/C can be made to account for any changes in capital through (for example: drawings) and then the difference in capital is taken as either the profit or loss. Doing this however will not give any information about the gross profit, sales etc. No analysis can take place (Analysis will help with taking informed future decisions). So, this is one drawback involved.
- Profit = Closing Capital + Drawings - Additional Capital - Opening Capital
- At times a business is able to provide some information about money received and paid etc. In addition to assets and liabilities which can make it possible to calculate sales, purchases and expenses. Therefore, a full set of

financial statements can be made after some calculations.

- The amount paid to the creditors is not always going to be equal to the purchases figure and the same applies for the sales figure which relative to the amount received from debtors for obvious reasons such as goods being bought from the previous year, good that have not yet been paid for etc.
- Credit Sales = Total Sales - Cash Sales or Prepare a sales ledger control A/C
- Credit purchases = Total Purchases - Cash Purchases or Prepare a purchases ledger control A/C
- Mark-up: $\frac{Gross\ Profit}{Cost\ Of\ Sales}$ * 100
- Margin: $\frac{Gross\ Profit}{Revenue}$ * 100
- The rate of inventory turnover is the number of times a business replaces its inventory in a given period of time and is also given by the formula: $\frac{Gross\ Profit}{Cost\ Of\ Sales}$ * 100 where average inventory is $\frac{Opening\ inventory + Closing\ inventory}{2}$
- Stolen Cash = Prepare a cash book
- Depreciation = Apply revaluation method

13. Analysis and Interpretation

13.1. Inter firm comparisons

- Comparing the accounting ratios of one business to another gives valuable results, however, this has to be done carefully, as there are certain limitations.
- Businesses should compare themselves to other similar businesses.
- When making comparisons, remember that:
  - Businesses apply different accounting policies (e.g. depreciation)
  - Different operating policies may be in place, such as renting, funding from loans, etc. Which affect the SOFP and the Profit for the year.
  - Non-monetary information is not shown on the financial statements, (e.g. Staff expertise, skill of the labourers, etc.), but is very important.
  - Not all the information about a business can be found on the financial statements (age of NCA, avg. inventory) these can also be used for comparisons, but are not on the financial statements.
  - Trends in the patterns of other businesses may not be observable, as the financial statements may not be available for other years.
  - Not all accounting years are typical.
  - Year-end dates for businesses vary, so influenced factors may be different (e.g. low inventory of air conditioners in the winter)
  - Accounting records are not altered with inflation.

13.2. Accounting Ratios

- Definitions:
  - **Working Capital:** Current Assets- Current Liabilities.
  - **Capital Owned:** Capital (in the accounting equation). Amount owed by a business to the owner of that business on a certain date
  - **Capital Employed:** Capital + Non- current liabilities (In the accounting equation). Total funds used by a business.
    - ASSETS = CAPITAL + LIABILITIES
    - $A - CL = C + NCL = Capital\ Employed$
- CL- Current Liabilities
- NCL- Non-Current Liabilities
- C- Capital
- Profitability Ratios:
  - ROCE: $Returnoncapitalemployed$ = $\frac{Netprofit(profitfortheyear)}{Capitalemployed}X100$
    - Relates profit for the year to the capital employed. Return on investments. Shows how efficiently capital is used.
    - Net profit as a percentage of the capital employed, therefore is comparison. Profit per $100 (without percentage sign) invested
    - Improve: Increase selling price of goods. Buy cheaper goods. Invest lesser capital, or pull out unnecessary funds.
    - Worsen: Increasing trade discount Selling goods at cheaper prices Not passing on increased costs to customers. Increased running costs
  - $Grossprofitmargin: \frac{Grossprofit}{Sales(Revenue)}x100$
    - Gross profit as a percentage of turnover. The higher the return the more profitable the business is.
    - Gross profit as a percentage of sales Gross profit / gain per $100 of sales relative to only sales factors
    - Improve: Increase selling price of goods. Buy cheaper goods.
    - Worsen: Increasing trade discount. Selling goods at cheaper prices. Not passing on increased costs to customers
  - $Netprofitmargin: \frac{Netprofit(profitfortheyear)}{Sales(revenue)}x100$
    - Return on $100 worth of sales. Indicates how well a business is controlling its expenses
    - Net profit as a percentage of sales. Represents what percentage of sales is being actually kept for the business. The actual return seen (in most cases) on $100 worth of sales. Affected by change in gross profit margin
    - Improve: Increase selling price of goods. Buy cheaper goods. Reduce running expenses
    - Worsen: Increasing trade discount. Selling goods at cheaper prices. Not passing increased costs to customers. Increasing expenditure
- Liquidity Ratios:

- Current Ratio/Working capital ratio: Current Assets : (is to) current liabilities
  - Compares relatively liquid assets that can be exchanged into cash within the next 12 months with the values of Liabilities which are due for short term payment.
  - Measures the ability of a business to meet its liabilities when due. Ratios between 1.5:1 to 2:1 are satisfactory. Having a lot of current assets as compared to current liabilities, for e.g. (14:1) can mean poor allocation of money. When a business doesn't have an adequate working capital, it generally cannot pay off due liabilities, has difficulties obtaining further credit supplies (due to low credit-worthiness), cannot take advantage of cash discounts or business opportunities when they arise.
  - Improve: Introduce more capital. Obtain non-current loans. Sell surplus NCA. Sell off goods (if at a profit)Reduce drawings by owner or reduce dividends
  - Worsen: Buying more goods on credit. Buying NCA
- Quick ratio/acid test ratio: Current Assets less inventory: (is to) current liabilities
  - Compares the current assets of a business minus its inventory to the current liabilities of the business. This is done as inventory is considered to not be liquid.
  - Compares the assets that can easily converted to cash to the liabilities of the business. Inventory is 2 stages away from being money, first it has to be sold, then the debt is to be collected. A ratio of 1:1 is regarded as satisfactory as all (current) liabilities can immediately be paid with liquid assets. Similar to current ratio. Higher than 1:1 is considered to be poor management of liquid assets.
  - Improve: Introduce more capital. Obtain non-current loans. Sell surplus NCA. Reduce drawings by owner or reduce dividends. Sell off inventory even if not profitable (if cash seriously required)
  - Worsen: Buying more goods. Buying NCA. Buying goods for cash
- Rate of inventory turnover/ inventory turn:(Cost of sales) / (Average inventory) = no. of times inventory is sold and replaced in the given period(Average inventory / Cost of sales)*365 = no. of days on avg. inventory is held before being sold
  - The quicker the rate of inventory turnover, the lesser time funds are frozen in inventory, which is the least liquid CA
  - If average inventory= COS, then it will take one year to sell these goods, so *365 days= 1 year. COS = total inventory sold in year, therefore it divided by avg. inventory gives no. of times inventory is replaced
  - Improve: Sell more goods
  - Worsen: Lower sales (higher inventory levels)Over-purchasing inventory, very high selling prices, falling demand, inefficiency and slowing activity.
- Collection period for trade receivables: $\frac{Trade\ receivables}{Credit\ sales} \times X$
  Where X= 365 for CP in days, X= 52 for CP in weeks, X= 12 for CP in months. Also called trade receivables/sales ratio
  - Trade receivables to sales ratio. Average time for debtors to pay their A/C(s)
  - If trade receivables = credit sales, then one year should be collection period as sales were made in one year. The length of time taken to actually pay should be compared to this. The longer a business will have to wait, the more likely it will become a bad debt. The collection period varies from year to year and a decrease means credit control works efficiently
  - Improve: Improve credit control policy. Offer cash discount for early payment. Charge interest on overdue A/C(s)Refuse to supply, until debt is paid. Invoice discounting or debt factoring can be done(Factoring and Invoice Discounting are both financial services that can release the funds tied up in your unpaid invoices, involving a provider who agrees to advance money against outstanding debtor balances. A debt factor will maintain the sales ledger, collect debts and pay the business. They chase the debtors for repayment. A discounter will pay for certain debts in advance, but will not maintain the sales ledger. Both services are chargeable.)
  - Worsen: Not following up on debt collection, etc
- Payment period for trade payables: $\frac{Trade\ payables}{Credit\ purchases} \times X$
  Where X= 365 for PP in days, X= 52 for PP in weeks, X= 12 for PP in months Also called trade payables/ purchases ratio.
  - Average time taken to pay the creditors A/C(s)
  - Should be compared with the term of credit allowed by the creditors. If it increases, it means that the business if failing to pay/is short of immediate funds. If debtors are not settling their A/C(s) it can get difficult for the business to settle their own A/C(s).
  - Additional Info: Taking longer to pay off one's debts means that one can use its funds for other purposes, but can also lead to the supplier refusing future credit and or goods, a lower credit score, loss of cash discount and damage to the existing relationship.

13.3. Users of Accounting Statements

- Internal users
  - Owners: monitoring performance and progress. Gauge profitability.

    - Prospective shareholders will look at investment ratios (investment ratios not a part of the syllabus)
  - Managers: Same reasons as owners, just that the business is managed by an employee, not the owner.
- External users:
  - Bank manager: To know whether loans or overdrafts can be granted, to see if the business has enough funds to pay up.
  - Other Lenders: To see if repayment can be made.
  - Creditors/Trade payables (present and potential): To determine the credit limit allowed and the length of credit allowed. To know the liquidity position and the trade payables collection period.
  - Potential buyers and investors: To know the profitability of the business and market value of the assets.
  - Club members: To know if the club can continue to operate.
  - Customers (Minor point): ensuring the continuity of the supply of goods.
  - Employees and trade unions: to know if the business can continue to operate, thus providing jobs, paying adequate wages and possibly contributing to pension schemes.
  - Government Departments: Compiling business statistics and/or checking if correct tax is paid.

13.4. Limitations of financial statements

- Accounting statements have their limitations, as they cannot comprehensively cover every aspect of a business. They are thus limited by:
  - Time (Historic Cost): The past cannot be used to properly predict the future. The financial position of the business changes from the time the accounting year ends to when financial statements are prepared (as it still operates)
  - Accounting policies: Different businesses use different accounting policies, so meaningful inter-firm comparisons are difficult to make. If the accounting policy is changed, then year to year comparisons will become difficult.
  - Difference in definition: Adjustments in profit from year to year and firm to firm vary, thus one should ensure only an apples to apples comparison is made.
  - Money Measurement: Non-monetary/ Non—financial factors often affect the financial position of a business, but these do not appear in the financial statements. E.g. morale of the workforce, adaption capability to changing market conditions, Gov. Policies, impact of new tech. etc.

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