

CHAPTER

2

Summary

Year-end adjustments

	Account debited	Account credited
Trading inventory deficit	TRADING INVENTORY DEFICIT	TRADING INVENTORY
Trading inventory surplus	TRADING INVENTORY	TRADING INVENTORY SURPLUS
Consumable stores on hand	CONSUMABLE STORES ON HAND	STATIONERY/PACKING MATERIAL
Depreciation	DEPRECIATION	ACCUMULATED DEPRECIATION: VEHICLE/EQUIPMENT
Bad debts	BAD DEBTS	DEBTORS CONTROL
Accrued income	ACCRUED INCOME	specific income
Income received in advance (deferred)	specific income	INCOME RECEIVED IN ADVANCE
Prepaid expenses	PREPAID EXPENSES	specific expense
Accrued expenses	specific expenses	ACCRUED EXPENSES
Provision for bad debts (increase)	PROVISION FOR BAD DEBTS ADJUSTMENT (EXPENSE)	PROVISION FOR BAD DEBTS
Provision for bad debts (decrease)	PROVISION FOR BAD DEBTS	PROVISION FOR BAD DEBTS ADJUSTMENT (INCOME)

Closing transfers

	Account debited	Account credited
Debtors allowances	SALES	DEBTORS ALLOWANCES
Sales	SALES	TRADING ACCOUNT
Cost of Sales	TRADING ACCOUNT	COST OF SALES
Gross Profit	TRADING ACCOUNT	PROFIT AND LOSS ACCOUNT
All Income accounts	INDIVIDUAL INCOME ACCOUNT	PROFIT AND LOSS ACCOUNT
Net profit before tax	PROFIT AND LOSS	APPROPRIATION
Income tax	APPROPRIATION ACCOUNT	INCOME TAX
Dividends on ordinary shares	APPROPRIATION ACCOUNT	DIVIDENDS ON ORDINARY SHARES
Retained income beginning of year	RETAINED INCOME	APPROPRIATION ACCOUNT
Retained income end of year	APPROPRIATION ACCOUNT	RETAINED INCOME

Income Statement: reflects the profit/(loss) for a financial period

Balance Sheet: reflects the net worth of a business as at a certain date (the year end)

Cash Flow Statement: reflects information on changes in the cash position of the company

Directors' report: reflects written information on the workings of the business, on the information in the Income Statement, Balance Sheet and Cash Flow Statements

Auditor's report: reflects whether readers of Financial Statements can rely on the Financial Statements presented by the directors

Corporate governance

- Board of directors should:
 - govern and control the company
 - provide effective corporate governance
 - exercise leadership, enterprise integrity and judgment
 - identify and take account of the legitimate expectations of stakeholders
 - engage stakeholders in such a manner that they have trust and confidence in the company.
- Ethical conduct
 - Promote ethical conduct.
 - Integrity should be infused in all aspects of the business.
 - Maintain a good relationship with society and the natural environment.