Accounting Cheat Sheet

by yotka via cheatography.com/39104/cs/12194/

DEAD CLIC

Dr	Cr
Expenses	**L**iabilities
Assets	**I**ncome
Drawings	**C**apital

All accounting transactions can be classisfied as one of those 6 categories.

Bank and VAT can have both Dr or Cr bal., though 'natural' balances are: Bank (Dr)Asset and VAT(Cr)Liability

Sales returns **Dr**	it's a reduction of Sales/-Income (**Cr**)
Purchase returns **Cr**	it's reduction of Expense (**Dr**)

Objectives of an effective accounts system

- **to process** all transactions completely and effectively

- **to report** accurately (financial stmts are produced in cost-effective manner, they are timely and reliable)

-**to comply** with laws and regulations

Organisational Policies & Procedures

- in place to ensure that acc. records are true and fair refelection of business fianacial situation.

- stakeholder who rely on this info: Bank (loans), Suppliers (credit checks), Employee (job security)

Control Procedures - examples

authorisation of transact.	signing off expenditure
processing controll	bank reconciliation
physical control	locks, pin pads
reviews	monthly review, run reports
written record procedures	manual listing, policies and procedures
segregation of duties	a number of people involved

Year-end adjusting journals

Every adjusting entry will require at least one BS and one PL account. The purpose of adj. entry is to get both BS and PL accurate.

» Accruals & Prepayments

» Asset acquisition | depreciation | disposal

» Doubtful & Irrecoverable debts

Gross Profit

Revenue / Sales

(COS)

= Gross Profit

Cost Structure

	MARGIN	MARK-UP
Sales	100%	120%
(C O S)	(80%)	(100%)
Gross Profit	20%	20%

Margin-how much profit a business makes in proportion to what a business sells.

Cost of Goods Sold

Opening Inventory

plus: Purchases

plus: Carriage invards

less: Closing Inventory

= **C O G S**

Credit Transactions

Credit transactions are made possible by the agreement that a Supplier puts in place to extend credit to Customer / Client. Customer has applied to Seller for CREDIT; Seller has set up Customer account. Method of payment has no bearing on whether sale /purchase is cash or credit transaction. The crucial distinction is the **TIMING** of the payment.

Suppliers of GOODS sell to CUSTOMERS

Suppliers of SERVICES sell to CLIENTS.

In Credit Transactions:

- money paid after time,

- initially transaction recorded in PDB, show asset (SLCA) or lliability (PLCA)

- posted to indyvidual clients/suppliers accounts

- not VAT analysable, as VAT accountes for in SDB / PDB

NOTE: in cash transactions: money change hands immediately, first record of transact. in the accountin system is in **Cash Book**, analysable to VAT, net, total.

VAT treatment on N-C asset

VAT registered busines can claim the paid VAT back, so it is not a true cost for the business. Therefore **CANNOT** be capitalised.

If business **not VAT registered** - VAT **CAN** be capitalized along with other costs.

Capital accounts

Capital - the amount that a business, at any time, owes to its owner(s). It is not fixed; it changes as the business byus assets, borrows funds and makes Profit or Loss.

It is a constant and unremovable feature of accounts, but with a constantly changing balance.

Capital | Drawings | Profit - are all accounted for separetely throughout the year and only come together @ y.e.

CAPEX-capital expenditure results in:

» acquisition, replacement or improvement of N-C asset

» it is capitalised and receorded in the non-current asset register

» cost of N-C asset includes: delivery | construction, inc. cost of labour | site preparation | testing | prof. fees
but not
repair | maintenance | admin & general overheads

Depreciation

Depreciation is a means of systematic spreading the cost of a N-C asset over its useful life in order to match the cost of the asset with the consumption of its economic benefit. It is writing down the value of the asset.

Straight line:

Reducing balance:

Units of production:

Disposals

1. Remove the cost of the asset
2. Remove the accumulated depreciation charged to date (NBV)
3. Account for the sale proceeds
4. Balance off the disposal account to find gain/loss on disposal

Gain or Loss on disposal calculation

proceeds	X
less NBV	(X)
equals	G/L on disp.

```
PROCEEDS
less (NBV)
equals:G/Loss on disposal.
```

SOFP | Balance Sheet

ASSETS

Non-current assets

Property, plant and equipment

Intangible assets

Current assets

Inventories | Stock

Trade and other receivables

Cash and cash equivalents

LIABILITIES

Current liabilities

Bank overdraft

Trade and other payables

Net current assets

Net assets

CAPITAL

Capital

add: Profit for the year

less: Drawings

Closing capital

SPL | Profit and Loss

Revenue	X
less COGS	
Open INV	
add: purchases	
less: closing INV	(X)
GROSS PROFIT	X
add: sundry income	
add:discounts received	
Adjusted Profit figure	X
less Expenses (ovverheads)	(x)
Profit/Loss for the year	X

Prepayments and Accourals

ASSETS	LIABILITES
service provided, not paid yet	
Accrued Income	**Accrued Expense**
Dr Accrued Income Cr Expense	Dr Expenses Cr Accrued Expense
money changed hands, service to follow	
Prepaid Expense	**Prepaid Income**
Dr Prepaid Expense Cr Expense	Dr Income Cr Prepaid Income

Payroll

Wages Control Account	
Net wages	Gross wages
PAYE	E'er NI
NIC	E'er Pension
Student Loan	

Wages Ctrl - a temp acc set up for the time when payroll is calculated

SLCA - Debtors - Receivables

Bal b/d	Payments received
Sales	Discounts allowed
	Sales returns
	Contra
	Bal c/d

PLCA - Creditors - Payables

Payments made	**Bal b/f**
Discounts received	Purchases
Returns of purchases	
Contra	
Bal c/d	

VAT control

reclaimable	liability
Credit Purch. (PDB)	Credit Sales (SDB)
Sales Ret. (SRDB)	Purchase Ret. (PRDB)
Bad Debt relief	Cash sales (CB)
EU acquis. charge	EU acquis. charge
	Fuel Scale charge