GENERAL LEDGER MANAGEMENT AND MONTH END REPORTING

Practical Accounting Academy



CLASS RULES

Use your Name on Zoom

Everyone Contributes

Be on mute at all times except when unmuted

Use the Chat box to ask questions while the class in ongoing

We are all learning, no question is a bad question

ACCOUNTING YARD

ADVICE FOR OPTIMAL RESULT

- Join with a laptop and Have MS Excel on it
- Choose a spot at home with Minimal Distraction
- Join with a Good internet connection and have a backup plan
- All recordings would be shared with participants

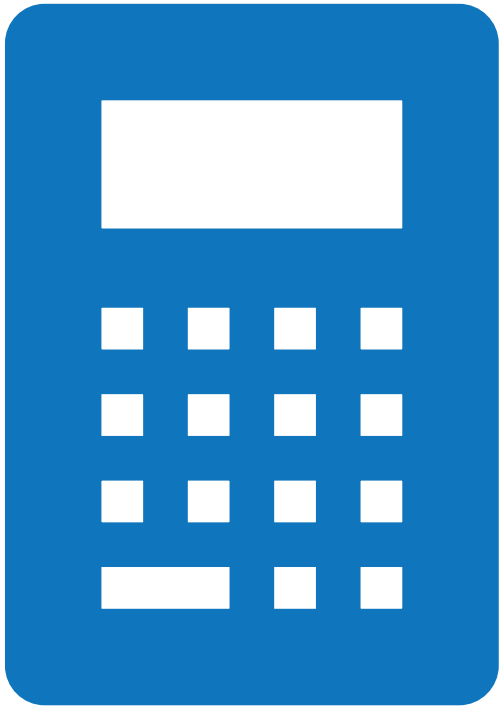
ACCOUNTING YARD

WHO AM I



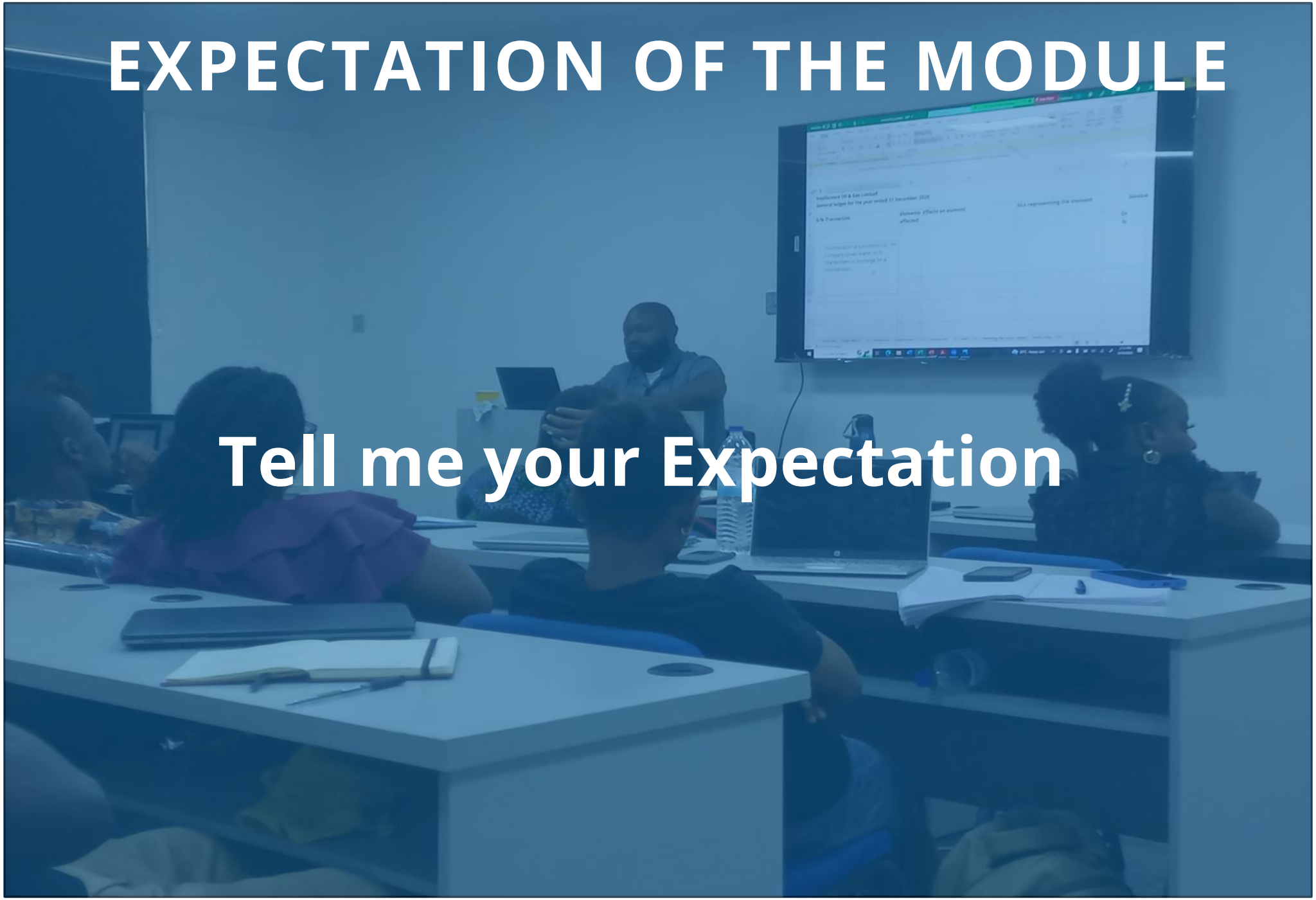
- Accountant
- Teacher and Youtuber
- Decade Experience FA&A
- Financial controller
- Financial Planner and Analyst
- AKA Mr Right , Prof

ACCOUNTING YARD



A SHORT STORY

EXPECTATION OF THE MODULE



OBJECTIVE OF THE SECTION

- Knowing how to review a General Ledger
- Things to look out for the General ledger review
- How to improve the quality of the general ledger
- How to prepare a few schedules tied to general ledger



ANY QUESTION(S) ?



General ledger Management

GOOD TO KNOW

The Management Account is only as good as the general ledger and never better

Garbage in Garbage out (GIGO)

TRANSACTION FLOW AND FROM GENERAL LEDGER TO MANAGEMENT ACCOUNT

Transactions posted into general ledger

Trial balance is summary of General ledger

Financial statement mapping is a summary of trial balance

Note is a summary of financial statement mapping

Primary 3 statement are a summary of the notes to the account

General ledger Risk Management



7 LAYERS OF RISK MITIGATION FOR GL

- Selecting the Right Team
- Training and Knowledge
- Establish Transaction Approval Workflows
- Regular General Ledger Review
- Month Closing Checklist and Closing
- Detailed Schedules
- Meaningful Comparatives and Financial Ratios

SKILLSET OR KNOWLEDGE REQUIRED TO REVIEW A GENERAL LEDGER

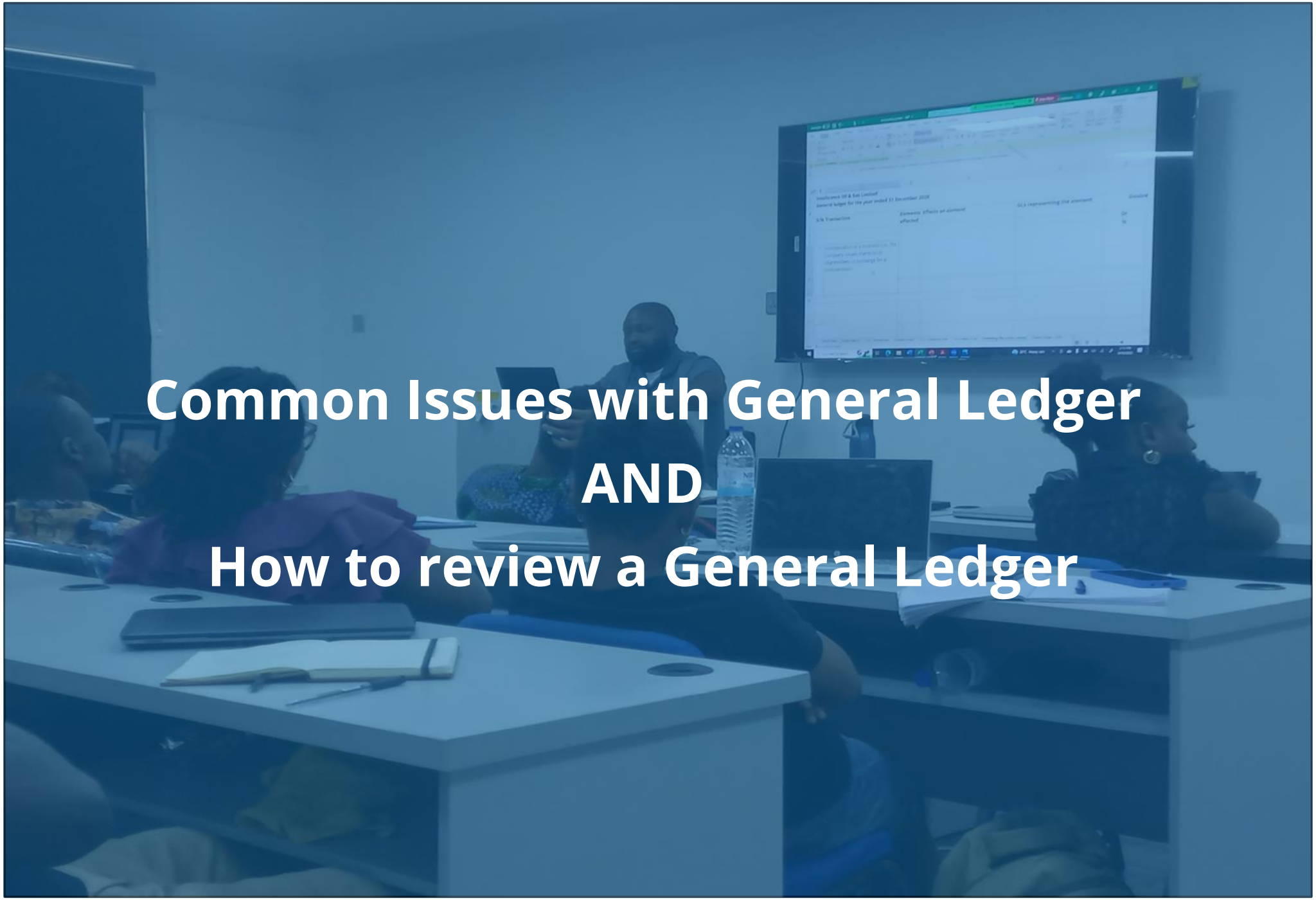
- Good knowledge of the business
- Being Informed on key business decision that has financial implication
- Strong relationship with key individuals in other units
- Understanding the link between between different financial statement lines

SKILLS OR KNOWLEDGE REQUIRED FOR GENERAL LEDGER REVIEW

- Knowledge of each general ledger and nature of transactions posted in it
- Familiarity of relevant standard and appropriate treatment of transactions
- Sound understanding of double entry principle

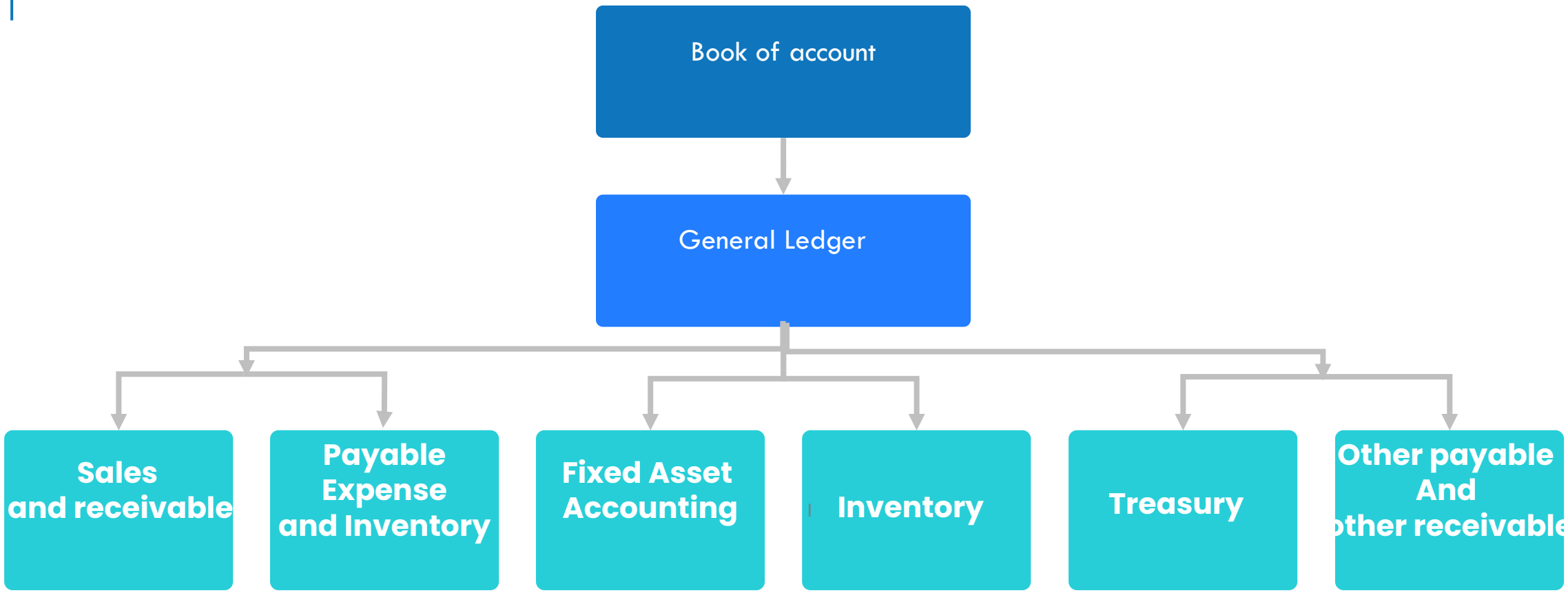


ANY QUESTION(S) ?



Common Issues with General Ledger
AND
How to review a General Ledger

General ledger-Bird eye View



RED FLAGS IN GENERAL LEDGER OR TRIAL BALANCE

- Asset in credit balance or Liability in Debit
- General ledger balance and schedules not agreeing
- Subledger and General ledger not agreeing
- Transaction posted not inline nature of class of general
- Reversal without a corresponding initial transactions
- Unusual spike in balances or expense or income that cannot be explained

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HOW TO GO ABOUT A GENERAL LEDGER REVIEW

Knowing if the GL is tied Income statement or Statement of Financial Position

Is thereGL tied to an activity in SOFP. Eg Depreciation to PPE, Interest Expense to Borrowing

Would recomputing provide better Insight

A report on transaction: Sales report

ACCOUNTING YARD

HOW TO GO ABOUT A GENERAL LEDGER REVIEW

Spool the relevant general ledgers

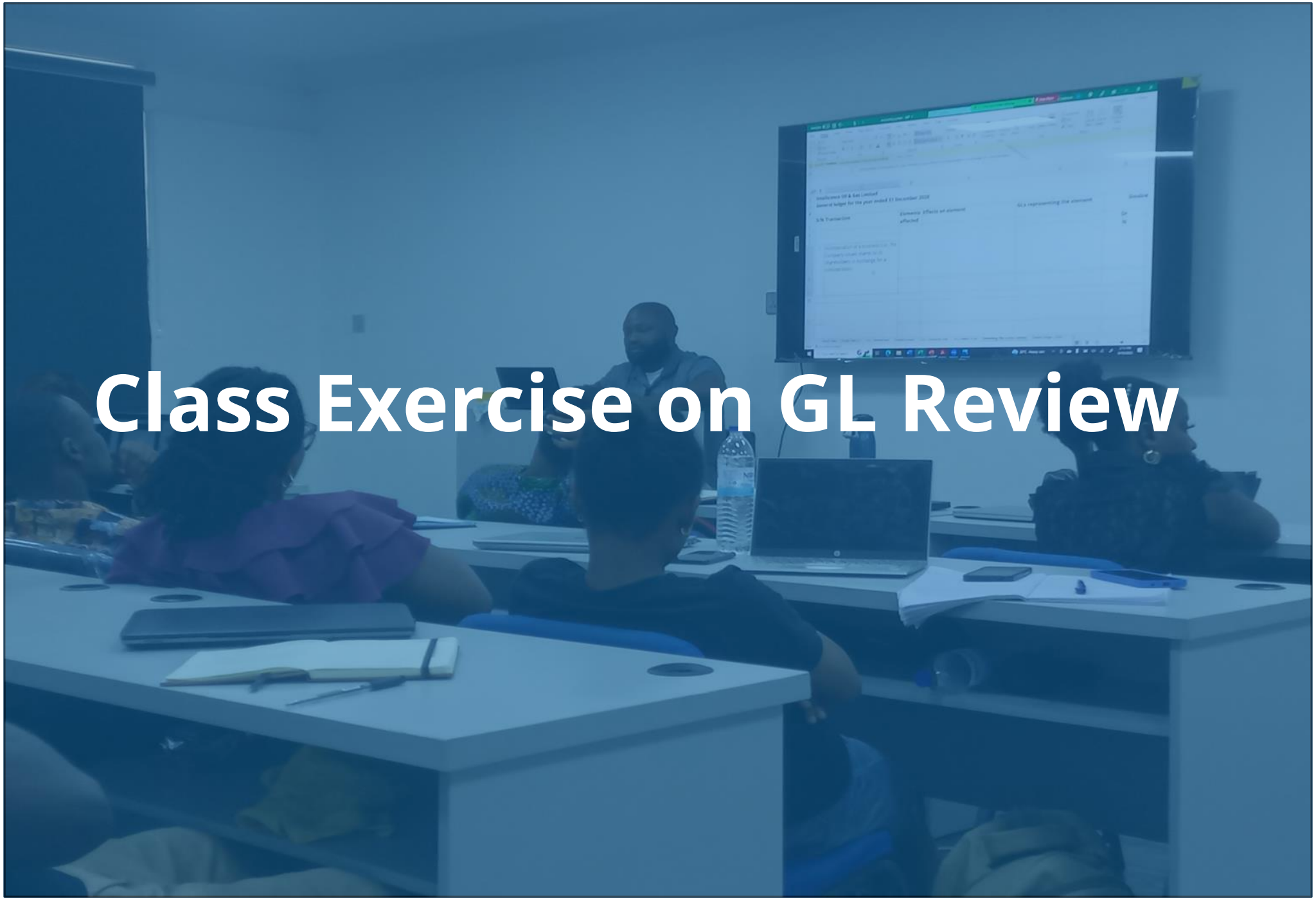
Clean the dataset to to have key attributes such as date, GL description, Amount

Do a pivot of the data to show monthly trend

Identify potential unusual trends



ANY QUESTION(S) ?



Class Exercise on GL Review

ACCOUNTING YARD

CLASS EXERCISE

Review a Sample General Ledger of a business and lets see what you identify as wrong and what actions.

CLASS EXERCISE

Review the Senior management minutes of meeting and identify areas you would pay attention when reviewing the general ledger and potential issues that can be noted in such general ledgers.



Introduction to Month End Reporting

OBJECTIVE OF THE SECTION

- Knowing our role as accountant in Month End Reporting/Closing(MERC)
- Things to look out for MERC
- Identify Possible bottlenecks in MERC
- Knowing Relevant schedules required in MERC

ACCOUNTING YARD

WHAT IS MONTH END REPORTING

At the end of every month, accountants prepare financial reports (FR) to enable management assess the performance of the business and support management's decision making process.

As we progress in our accounting career knowing how to manage this process as a **doer, a reviewer, a supervisor or end user** of the process is critical.

ACCOUNTING YARD

WHAT IS MONTH END REPORTING

This preparation of monthly FR is popularly termed ‘monthly closure’ or ‘month end closure’ or ‘month end reporting.

This is a popular interview question as such interviewer pay close attention to people who can provide solution on managing month end deliver timely report.

ACCOUNTING YARD

The goal is to ensure that all material transactions that relate to each month (or the period covered to the end of each month) are captured accurately and completely in the accounting records.



It reduces the financial reporting burden at year end when accounts are to be finalised and it also gives room for timely assessment of performance by management before year end.

GOAL OF MONTH END REPORTING

WHY SHOULD WE HAVE A MONTH END REPORTING



End Users Requirement



Assessment of Performance



Aid decision Making



Reduce burden for year end closing





ANY QUESTION(S) ?



Month End Closing Activities

WHAT IS MONTH END CLOSING ACTIVITIES

These are typically day to day task carried out by members of a finance unit. This activities result in entries being **posted into the general ledger**.

It is critical for the general ledger to be **COMPLETE** with transactions and also have **ACCURATE** records of transactions that have occurred

Depending on the role of the individual a person may be responsible for one or more activities. One can be a preparer, reviewer and approval of these activities depending on your role

ACCOUNTING YARD

LIST OF MONTH END CLOSING ACTIVITIES

- Invoicing of customers
- Booking receipt and payment
- Booking vendor invoices
- Receive or issue out of inventory items
- Accrue for services or items
- Passing of amortisation and depreciation

LIST OF MONTH END CLOSING ACTIVITIES

- Reconciling of bank accounts
- Stock count
- Treatment of related party transactions
- Posting of payroll cost
- Petty cash cash count
- Booking of interest accrued on loans and fixed deposit

ACCOUNTING YARD



ANY QUESTION(S) ?

CLASS EXERCISE

For the listed roles mention a month end activity and their likely type of role(preparer, reviewer, approver)?

- Account payable officer
- Treasury accountant
- Fixed asset Accountant
- Account receivable Intern
- Finance manager

Mention at least two activity per person
Virtual 1,2, and 5
Physical 3 and 4

Payable – Inventory, expense and Asset

Every transaction entered between a vendor and a business could lead into the creation of the following;

Payable- inventory

All items received must be booked.

This would result in a liability being created

Expense

All service or product provided or delivered should be booked this would also result in a liability created

Asset

All asset delivered should be booked this would also result in a liability

It is key during month end to ensure that completed transactions are captured in the books of account. This could either be done by the actual submission of invoice by the vendor or booking of accrual based on agreed fees and level of completion.



ANY QUESTION(S) ?



Month End Closing Schedule

Month end schedules

Once activities around month end have been completed each process owner is required to prepare a schedule to support balances and transaction for the period.

01 Bank Reconciliation

02 Fixed Asset register And Movement schedule

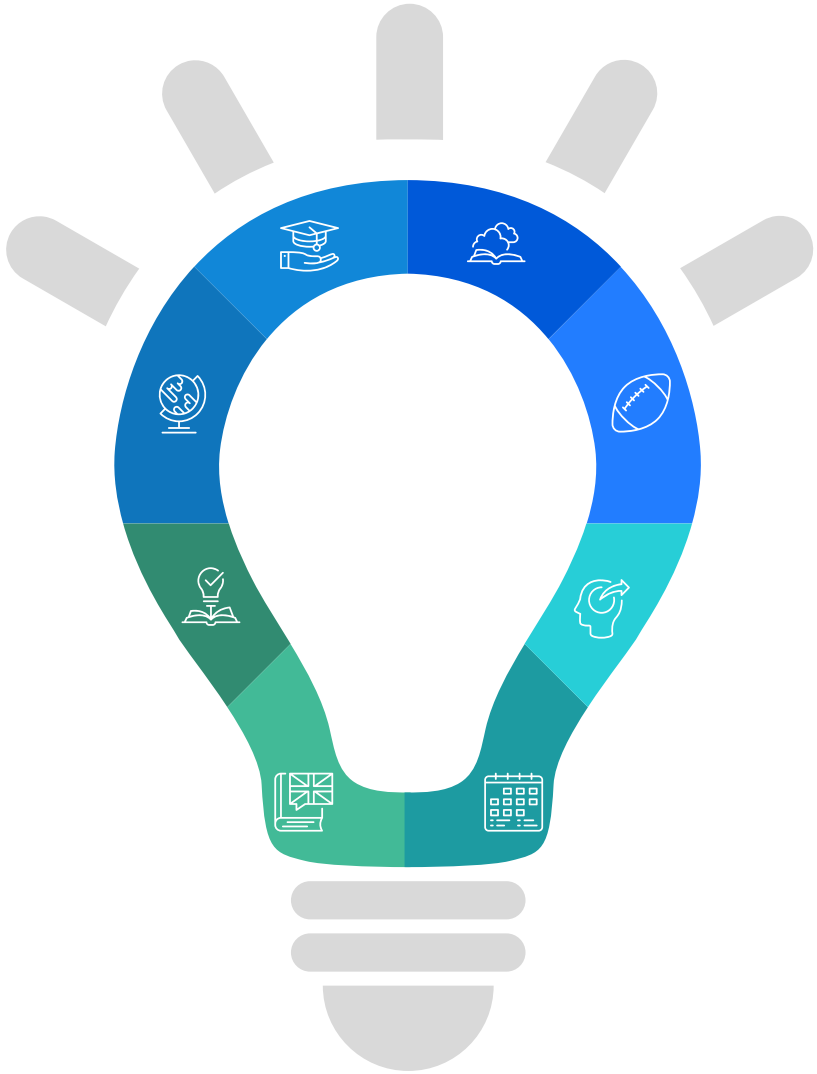
03 Loan repayment schedule

04 Accrual and provision schedule

05 Inventory Detailed List

Month End Schedules

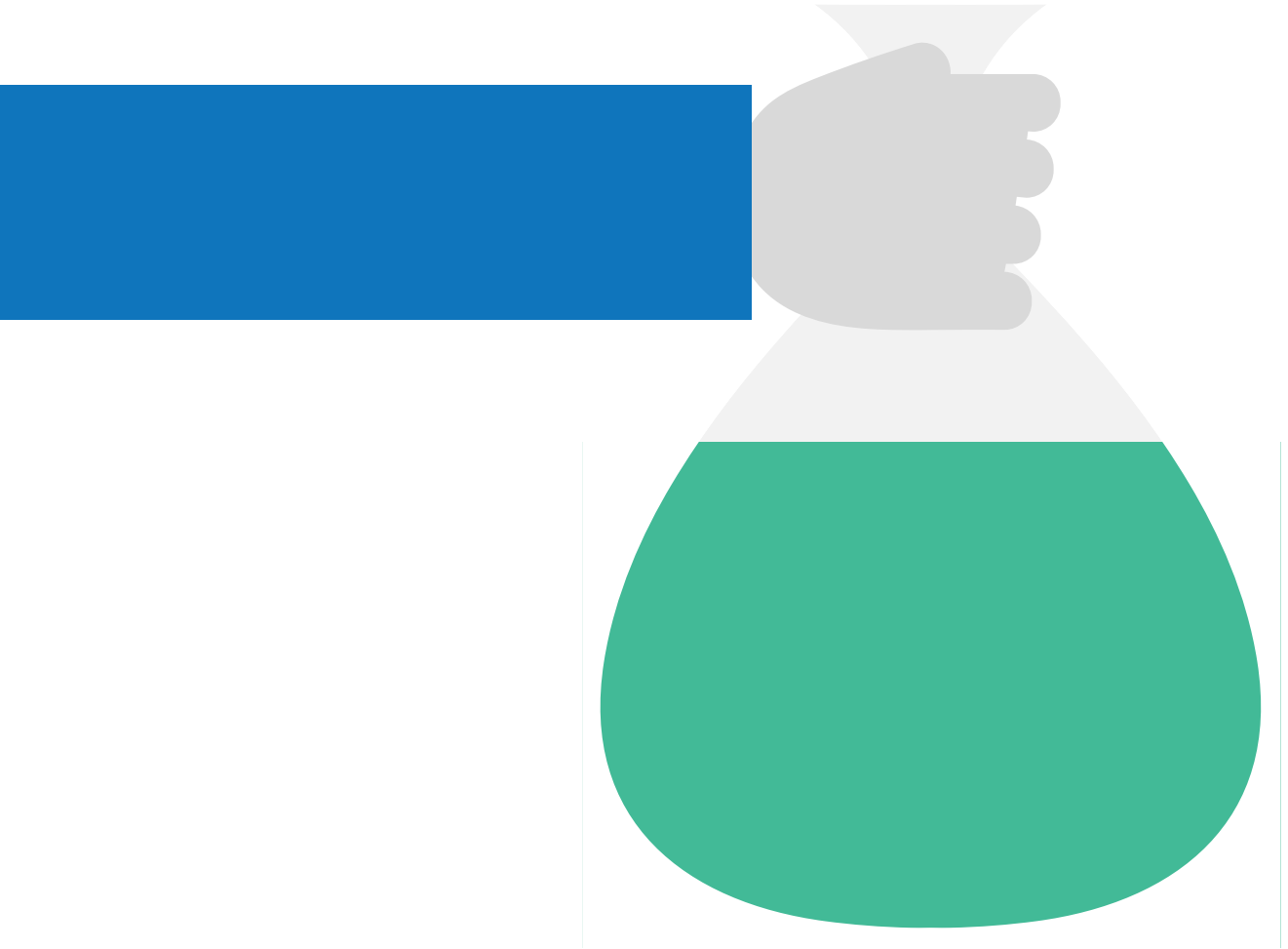
- Bank Reconciliation
- Fixed Register and Movement schedule
- Loan repayment schedule
- Aging of trade debtor



- Prepayment schedule
- Accrual and Provision schedule
- Inventory detailed list
- Open AP and AR

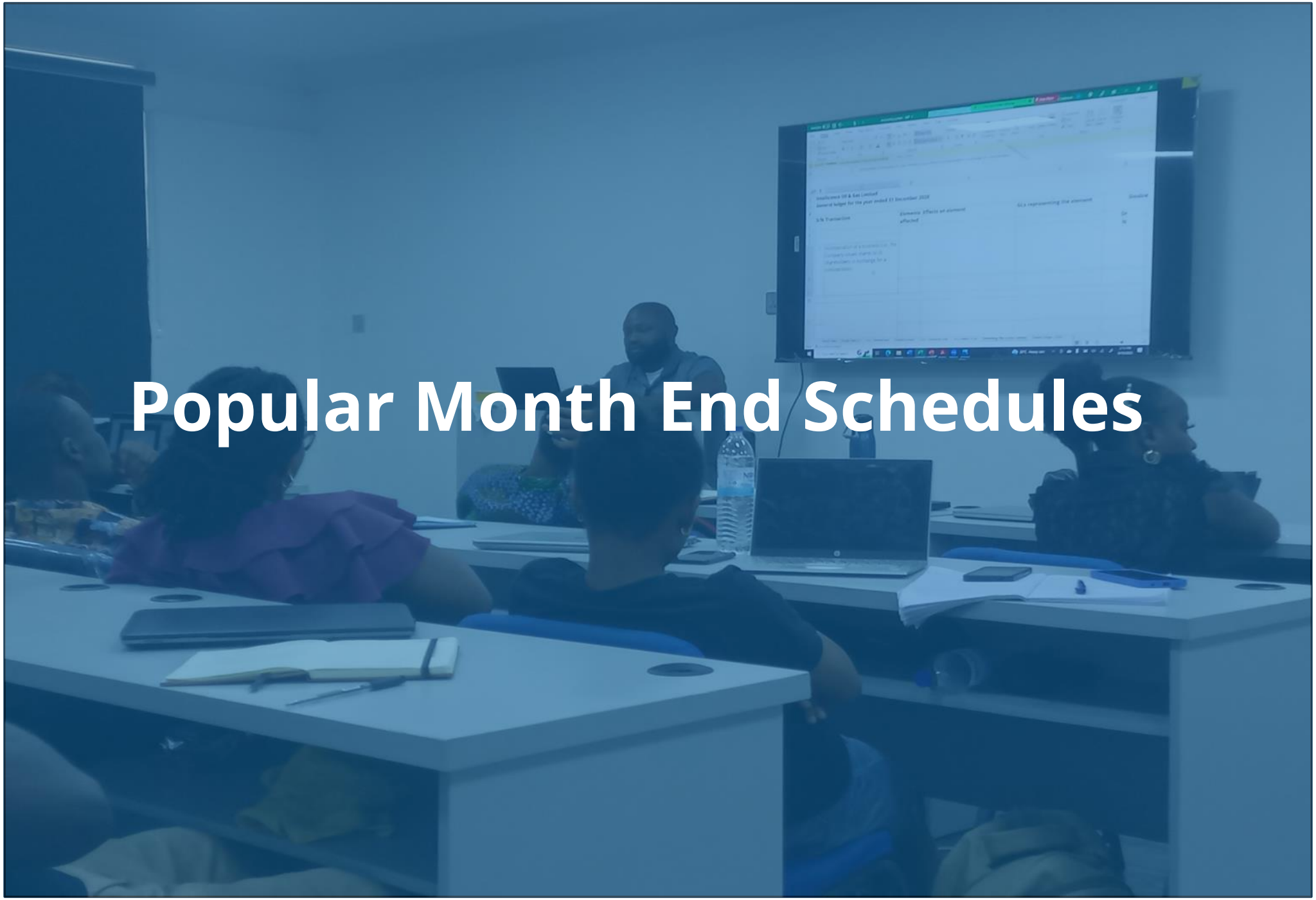
ACCOUNTING YARD

Good to Know

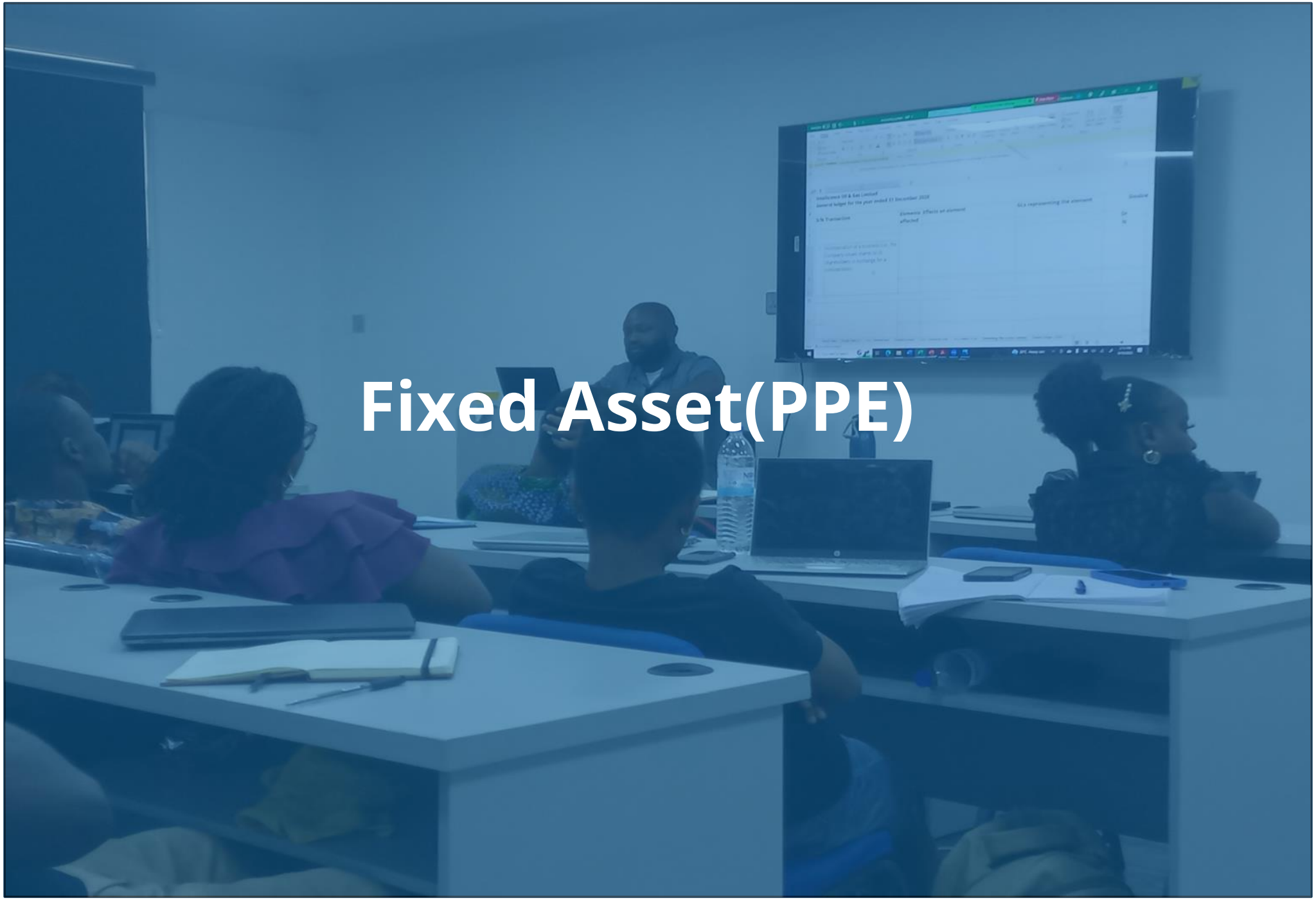


It is good note that schedules may not be required to prepared monthly as they do not change often however some schedule change every month and would be required to prepared.

Please note it is important that all schedule reconcile to general ledger and if there re difference they should be noted and investigated and corrected in the month if material otherwise you can correct in the following month.



Popular Month End Schedules



Fixed Asset(PPE)

WHAT YOU NEED TO KNOW ABOUT A FIXED ASSET REGISTER

- It is a detailed list of all property plant equipment owned by a business .
- It has different classes Furniture's and fittings, Computer Equipment, Asset Under Construction, Building, Motor Vehicle etc
- It is not the same a fixed asset movement schedule.
- It must reconcile to the general ledger for it to be accurate

ACCOUNTING YARD

Below are a list of attributes you would find on an asset register.

Asset Code: Unique identifier for each asset and no two asset have the same code

Asset class: which category of asset Furniture and Fittings, Computter Equipment, Building, Motor Vehicle

Asset Name: Lenovo Core I5 - Financial controller

Cost: All cost incurred to make the asset available for use

FIXED ASSET REGISTER

Below are a list of attributes you would find on an asset register.

Depreciaiton year to date: Deepreciaiton suffered by the asset to the last reporting date

Accumulated Depreciation: All depreciation suffered by an asset from inception to the last reporting date

Location: Where the asset can be found in business premises

Department: the unit that is responsible or owns the asset

FIXED ASSET REGISTER

Below are a list of attributes you would find on an asset register.

Date of capitalization

Net book value

FIXED ASSET REGISTER

	Capital work-in-progress N'000	Lease hold land N'000	Buildings N'000	Plant and machinery N'000	Furniture and equipment N'000	Motor vehicles N'000	Total N'000
Cost							
At 1 January 2018	3,571,572	434,433	9,530,572	28,697,718	2,068,838	830,161	45,133,294
Additions	5,395,511	-	-	-	-	-	5,395,511
Transfers	(4,679,565)	19,557	720,343	3,183,851	265,068	490,746	-
Disposals	(56,790)	(20,350)	(497,436)	(2,438,863)	(227,788)	(9,840)	(3,251,067)
Reclassification between asset classes	17,478	-	-	(17,478)	-	-	-
At 31 December 2018	4,248,206	433,640	9,753,479	29,425,228	2,106,118	1,311,067	47,277,738
Balance as at 1 January 2019	4,248,206	433,640	9,753,479	29,425,228	2,106,118	1,311,067	47,277,738
Recognition of right-of-use asset on initial application of IFRS 16	-	-	43,411	-	-	-	43,411
Restated balance at 1 January 2019	4,248,206	433,640	9,796,890	29,425,228	2,106,118	1,311,067	47,321,149
Additions	5,378,115	-	1,132,956	-	-	-	6,511,071
Transfers	(4,110,144)	-	625,758	3,063,745	214,960	205,681	-
Write-offs	-	-	-	(1,553,600)	(57,231)	(11,006)	(1,621,837)
Disposals	-	-	-	(639)	(324,499)	(145,578)	(470,716)
At 31 December 2019	5,516,177	433,640	11,555,604	30,934,734	1,939,348	1,360,164	51,739,667

A SAMPLE FIXED ASSET MOVEMENT SCHEDULE

ACCOUNTING YARD

Asset Code	Details	Asset Class	UL Month	Capitalization Date	End Date	GL	Cost	Depreciation for Month	Depreciation Year to date	Closing balance
10000	SHAWARMA MACHINE & HOLDER	Cooking Equipment	48	Dec-18	Dec-22	605130	300,000.00	6,250	6,250	293,750
10001	1 BIKE AND 1 DISPATCH BOX	Motor Vehicle	48	Dec-18	Dec-22	605140	200,000.00	4,167	4,167	195,833
10002	LOUNGE CHAIRS	Furniture & fittings	60	Dec-18	Dec-23	605120	840,000.00	14,000	14,000	826,000
10003	MUSIC BOX	Office Equipment	60	Dec-18	Dec-23	605110	250,000.00	4,167	4,167	245,833
10004	LOUNGE TABLE	Furniture & fittings	60	Dec-18	Dec-23	605120	374,000.00	6,233	6,233	367,767
10006	MARBLE FOR RESTAURANT SINK/SHELF/ WALL PAPER & MIRROR	Furniture & fittings	60	Dec-18	Dec-23	605120	98,000.00	1,633	1,633	96,367
10008	GENERATOR HOUSE CEMENT & WORK	Office Equipment	60	Dec-18	Dec-23	605110	10,000.00	167	167	9,833
10009	GENERATOR HOUSE GATE & WORKMANSHIP	Office Equipment	60	Dec-18	Dec-23	605110	93,500.00	1,558	1,558	91,942
10010	BEARING FOR PUMPING MACHINE	Office Equipment	60	Dec-18	Dec-23	605110	9,700.00	162	162	9,538
10011	1.5 HP PANASONIC AIR CONDITIONERS (9 X N210,000)	Office Equipment	60	Dec-18	Dec-23	605110	1,890,000.00	31,500	31,500	1,858,500
10012	EXTERNAL FANS WITH COOLING STEAM (2XN150,000)	Office Equipment	60	Dec-18	Dec-23	605110	300,000.00	5,000	5,000	295,000
10013	55 INCHES TV (2 X N400,000)	Office Equipment	60	Dec-18	Dec-23	605110	800,000.00	13,333	13,333	786,667
10014	40 INCHES TV (1)	Office Equipment	60	Dec-18	Dec-23	605110	230,000.00	3,833	3,833	226,167
10015	32 INCHES TV (1)	Office Equipment	60	Dec-18	Dec-23	605110	150,000.00	2,500	2,500	147,500
10016	GENERATOR	Office Equipment	60	Dec-18	Dec-23	605110	4,800,000.00	80,000	80,000	4,720,000
10017	GENERATOR INSTALLATION	Office Equipment	60	Dec-18	Dec-23	605110	75,000.00	1,250	1,250	73,750
10018	DIESEL TANK & INSTALLATION	Office Equipment	60	Dec-18	Dec-23	605110	250,000.00	4,167	4,167	245,833

A SAMPLE FIXED ASSET REGISTER

ACCOUNTING YARD



Bank Reconciliation

ACCOUNTING YARD

WHAT YOU NEED TO KNOW ABOUT BANK RECONCILIATION



Gives comfort over the general ledger tied to each bank account



Explains difference between bank balance per bank statement and general ledger



You need bank statement, GL spool for Bank account, Previous report on bank reconciliation

ACCOUNTING YARD

WHY BANK ACCOUNTS NEEDS TO BE RECONCILED ?

- Identification of duplicate payments
- Has a ripple effect on assets and liability if not done
- Gives comfort on the General ledger for liquidity planning
- Identification of fraud around cash mismanagement

ACCOUNTING YARD

DATA REQUIRED FOR BANK RECONCILIATION

- Bank statement for period you want to reconcile
- General ledger spool for the period you want to reconcile
- Bank reconciliation report for the period just before current reconciliation

BANK RECONCILIATION ON ACCOUNTING SOFTWARES AND ERP



Have features to upload bank statement using a preset template



Opening balance must agree to closing balance on the last upload



A dashboard informing if the bank satatement balance agrees with the General edger for bank



Some may have a general ledger loaded with transaction and some may not

ACCOUNTING YARD



Loan or Borrowing Schedule

WHAT YOU NEED TO KNOW ABOUT LOANS

A business can either be funded via debt or equity

Loan is a example of debt

It could be short or or long term like overdraft, Commercial paper, term loan

It be can issued by a bank, Shareholders, Director, Related parties, External lenders

Loan agreement and offer letter provide details about the loan

DATA REQUIRED IN LOAN APPLICATION

- A business plan
- Cashflow forecast covering the loan tenor at a minimum
- Loan application request letter
- 12 Bank statement of key operational account

DATA REQUIRED IN LOAN APPLICATION- ‘CONT

- Profile of shareholders, directors, and senior management
- Schedule of indebtedness
- Audited financial statement and Recent management Account
- 12 Bank statement of key operational account

ATTRIBUTES TIED TO A LOAN



PRINCIPAL AMOUNT



TENOR



DISBURSEMENT DATE



INTEREST RATE



REPAYMENT OF PRINCIPAL AND INTEREST

ACCOUNTING YARD

	Principal	560,000,000.00
	Tenor	80
	Interest rate	23%
	Repayment	2
	Start date	01-Jun-16
	Months in a yr	12
	Days in a year	365
	Management Fee	2%
	Others Fees	1%

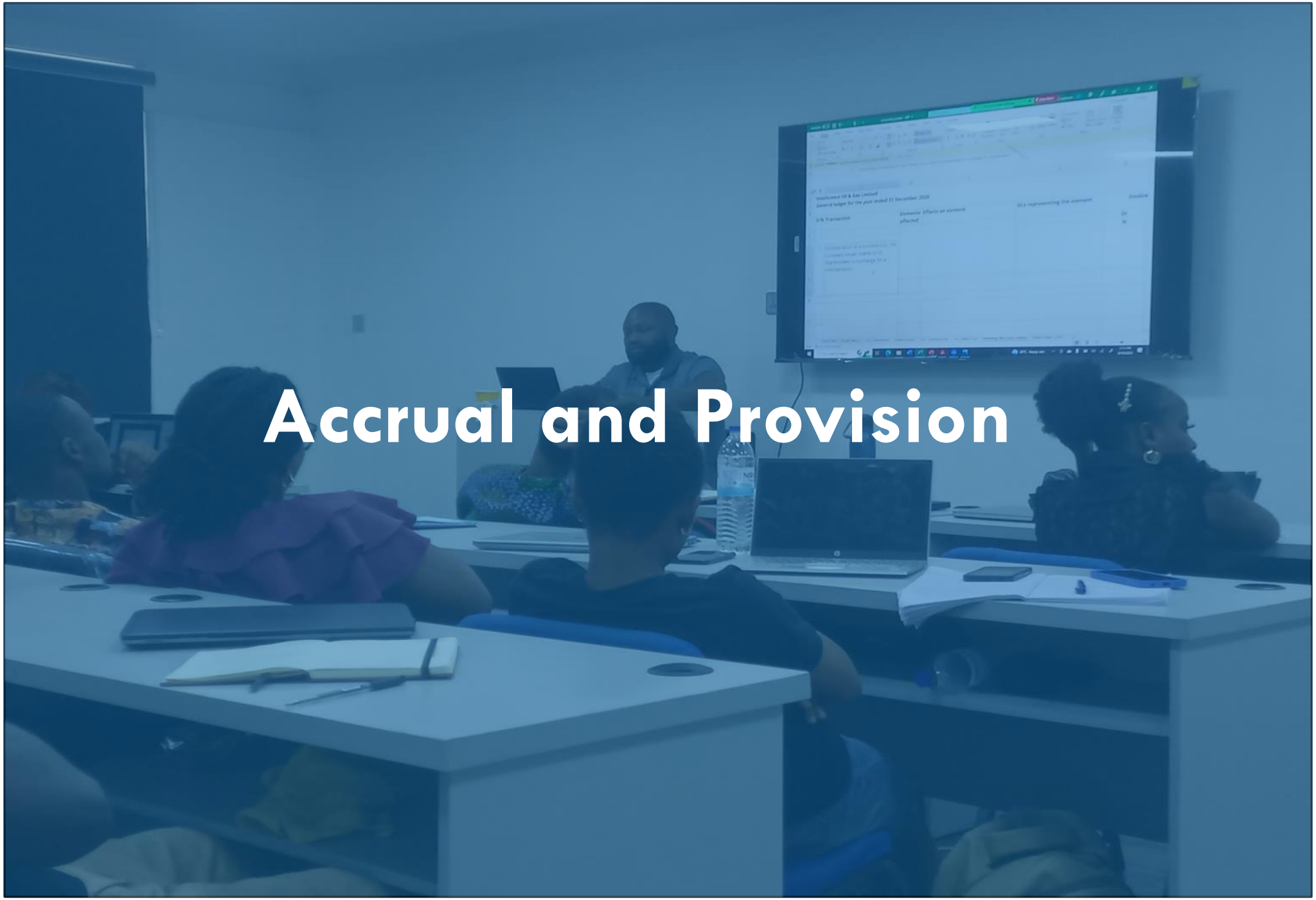
Peri	Start Date	Date	Opening	Addition	Interest Accrued	Principal Repayment	Interest repayment	Closing Balance
1	01-Jun-16	30-Jun-16	560,000,000.00		852,785.39	-	-	560,852,785.39
2	01-Jul-16	31-Jul-16	560,852,785.39		883,535.21	- 14,000,000.00	- 1,736,320.60	546,000,000.00
3	01-Aug-16	31-Aug-16	546,000,000.00		860,136.99	-	-	546,860,136.99
4	01-Sep-16	30-Sep-16	546,860,136.99		832,775.60	- 14,000,000.00	- 1,692,912.58	532,000,000.00
5	01-Oct-16	31-Oct-16	532,000,000.00		838,082.19	-	-	532,838,082.19
6	01-Nov-16	30-Nov-16	532,838,082.19		811,422.38	- 14,000,000.00	- 1,649,504.57	518,000,000.00
7	01-Dec-16	31-Dec-16	518,000,000.00		816,027.40	-	-	518,816,027.40
8	01-Jan-17	31-Jan-17	518,816,027.40		817,312.92	- 14,000,000.00	- 1,633,340.32	504,000,000.00
9	01-Feb-17	28-Feb-17	504,000,000.00		714,575.34	-	-	504,714,575.34
10	01-Mar-17	31-Mar-17	504,714,575.34		795,098.30	- 14,000,000.00	- 1,509,673.65	490,000,000.00

LOAN SCHEDULE

ACCOUNTING YARD



ANY QUESTION(S) ?



Accrual and Provision

ACCRUAL:

As we tend towards reporting period not all transactions would have be captured

Estimate the cost implication of some transactions

Historical cost, contract and end user estimate

Example Cleaning service, bonus, security,



ANY QUESTION(S) ?



Class Excercise

MENTION A SCHEDULE TO BE MAINTAINED

	Notes	31-Jul-21 N	31-Jul-20 N
Assets			
Non-current			
Property,plant & equipment	12	1,803,378,326	1,471,396,423
Intangible assets	13	35,731,424	39,033,609
Right of Use of asset		97,552,918	104,157,288
Investment		169,658,280	122,179,675
Deferred tax assets		41,906,666	52,610,869
		2,148,227,614	**1,789,377,865**
Current			
Inventory		1,548,508,851	1,770,955,628
Trade and other receivables		192,935,991	130,899,102
Prepayment		162,250,703	263,324,620
Advance payments		252,472,799	291,967,091
Cash and cash equivalents		808,687,845	495,358,479
		2,964,856,189	2,952,504,921
Total assets		5,113,083,803	4,741,882,786

	Notes	31-Jul-21 N	31-Jul-20 N
Equity			
Share capital		10,000,000	5,000,000
Share premium		200,000,000	100,000,000
Retained earnings		737,577,001	550,790,106
Total equity		**947,577,001**	**655,790,106**
Liabilities			
Non-current			
Long term borrowings		685,618,000	457,600,000
Current			
Trade and other payable		2,685,715,786	2,718,487,511
Contract liability		180,849,391	259,598,979
Interest payable		39,570,976	81,306,358
Finance lease payable		43,694,699	48,883,144
Provision		250,885,063	241,043,801
Income tax payable		279,172,887	279,172,887
		3,479,888,802	3,628,492,680
Total liabilities		4,165,506,802	4,086,092,680

MENTION A SCHEDULE TO BE MAINTAINED

ACCOUNTING YARD

MENTION A SCHEDULE TO BE MAINTAINED

	Note	2019 N'000
Assets		
Non-current assets		
Property, plant and equipment	14(i)	31,957,420
Intangible assets	15	225,933
Other non- current assets	32	-
Employee loan receivable	33	-
Retirement benefit surplus	21(v)	35,292
		32,218,645
Current assets		
Inventories	16	11,869,295
Trade and other receivables	17(i)	24,131,026
Employee loan receivable	33	-
Cash and cash equivalents	18	35,458,553
		71,458,874
Total assets		103,677,519

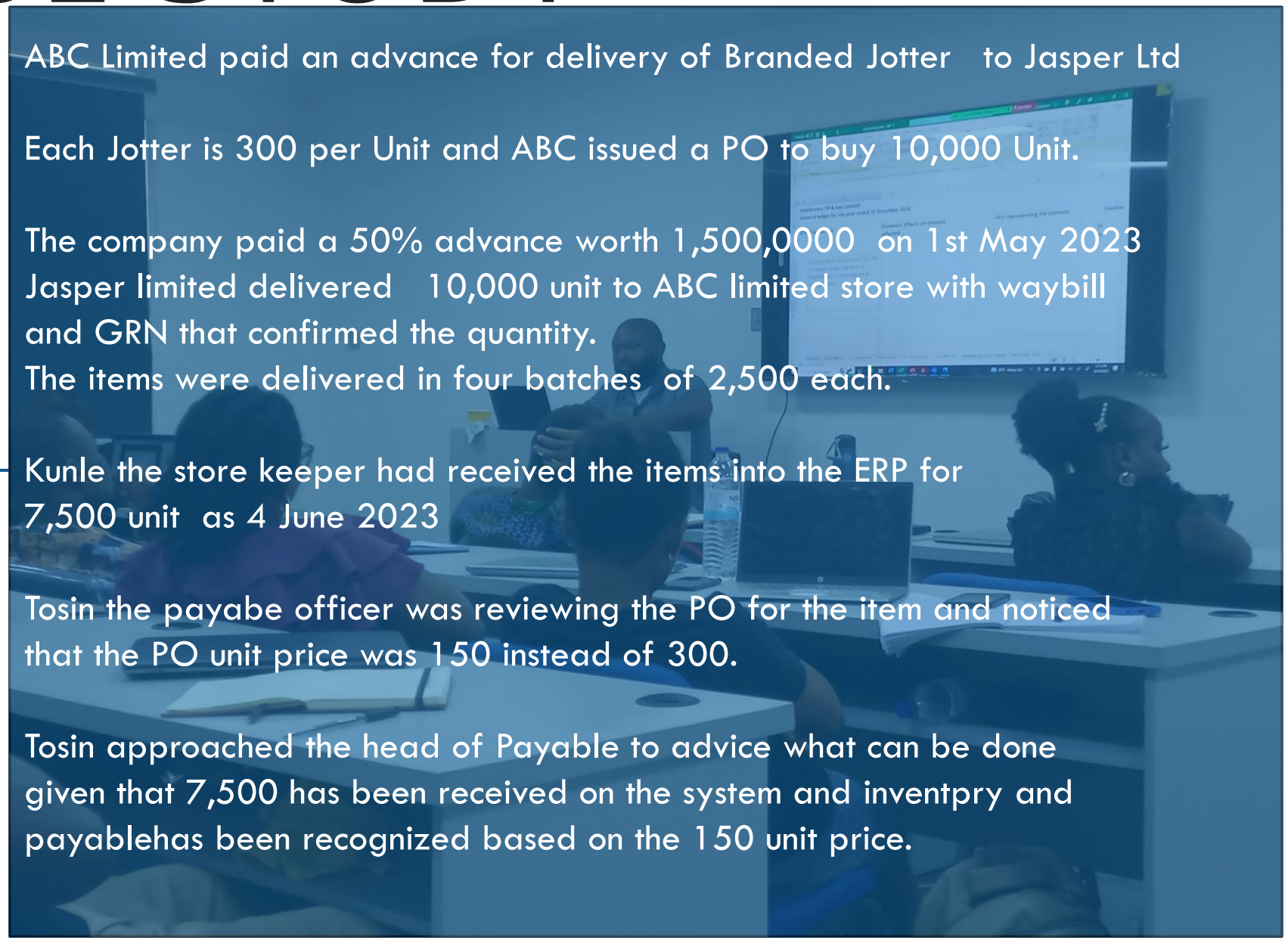
CLASS EXERCISE: SPOT THE ISSUE

Fixed Asset Movement Schedule

		Computer Equipment	Land	Furniture & Fittings	Motor Vehicle	Asset Under Construction	Total
Cost	Opening	15	4	14	17	16	66
	Addition	11	18	17	1	17	65
	Transfers		19	8	13	(34)	6
	Closing	26	41	39	31	(1)	136
Acc Dep							
	Opening	7	5	8	12		32
	Depreciati	2	15	18	17	1	53
	Closing	9	21	26	29	1	85
NBV							
	Opening	8	(1)	6	5	16	34
	Closing	17	20	13	2	(2)	51

ACCOUNTING YARD

CASE STUDY



ABC Limited paid an advance for delivery of Branded Jotter to Jasper Ltd

Each Jotter is 300 per Unit and ABC issued a PO to buy 10,000 Unit.

The company paid a 50% advance worth 1,500,0000 on 1st May 2023
Jasper limited delivered 10,000 unit to ABC limited store with waybill and GRN that confirmed the quantity.
The items were delivered in four batches of 2,500 each.

Kunle the store keeper had received the items into the ERP for 7,500 unit as 4 June 2023

Tosin the payabe officer was reviewing the PO for the item and noticed that the PO unit price was 150 instead of 300.

Tosin approached the head of Payable to advice what can be done given that 7,500 has been received on the system and inventpry and payablehas been recognized based on the 150 unit price.

ACCOUNTING YARD



THANK YOU