

FASTER
**ICT – Financial and Accounting Seminars Targeting
European Regions**

WP3
**E-modules & Educational
Products**
Module 5

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Module 5: Balance Sheet Issues

Closing financial year and preparing financial statements

- Financial statements consist of:
 - 1) **a balance sheet,**
 - 2) **a income statement,**
 - 3) **supplementary information, comprising:**
 - a) an introduction to the financial statements &
 - b) notes

Financial statements

- FS: should be signed by the individual in charge of keeping the account books and by the manager of the undertaking, specifying the date of the signature
- if the undertaking is under the direction of a governing body composed of more than 1 member, FS should be signed by all members of the body

Audit obligation: auditor's opinion should be available to their shareholders or members along with the report (some entities are obliged to prepare apart from financial statement, a management report)

Financial statements: Management report

- MR: should cover material information on the property and financial standing, including an assessment of the performance as well as identifying any risk factors and threats
- management report should cover in particular material information on:
 - events having a material influence on the undertaking's activity, which occurred both during the financial year and after its end,

Financial statements: Management report

- MR should cover information on: :
 - expected development of the undertaking,
 - major achievements in R&D,
 - current and anticipated financial standing,
 - acquisition of the undertaking's corporate shares,
 - branches possessed by the undertaking,
 - financial instruments, to the extent concerning:
 - the risk faced by undertaking of
 - the goals and methods of financial risk management adopted by the undertaking,

Financial statements: Management report

- MR should cover information on: :
 - financial and non-financial ratios,
 - information on environmental issues,
 - information on employment issues,
 - additional explanations of the disclosures made in the financial statements,
 - the application of corporate governance rules

Annual stocktaking – rules, dates and ways of conducting it

- important stages of preparatory works within tasks related to closing account books and preparing financial statements: conduction of stocktaking of A&L, & disclosure of its outcome in the account books of the year which it referred to

Annual stocktaking – rules, dates and ways of conducting it

- Stocktaking is conducted on a strictly stated date and its goal is to:
 - determine factual state of the property of an undertaking (assets) and sources of financing it (liabilities) on a given moment,
 - compare determined factual state with evidential state (account state),

Annual stocktaking – rules, dates and ways of conducting it

- Stocktaking is conducted on a strictly stated date and its goal is to:
 - determine, explain and disclose in the account books possible stocktaking discrepancies in fixed assets and trading assets,
 - settle people responsible materially for property trusted in them and evaluation of their work,
 - evaluate accuracy of storing and securing property against damage, theft and robbery,
 - evaluate usefulness of fixed and trading assets.

Types of Stocktaking

- different classifying criteria
- way of conducting stocktaking includes
 - 1) physical count,
 - 2) confirmation of the balance received from banks and obtaining from the counterparties receipt regularity condition shown in the accounts of undertaking,
 - 3) a comparison of the data of the accounts with the relevant documents and the verification of the real values of these components.

Physical stocktaking

- this way we can verify:
 - money assets that are petty cash and other financial instruments,
 - real estate falling into category of investments,
 - securities (stocks, bonds, vouchers),
 - material components of turnover assets (materials, goods, readymade products, ongoing production),
 - capital assets
 - machines and appliances which fall into capital assets in the process of forming,
 - foreign components of property.

Confirming balance - reconciliation with banks and trade partners

- by receiving confirmations of accuracy of balance of assets and some liabilities we can list:
 - money assets collected on current bank accounts expressed in national and foreign currency,
 - free money assets located on capital investments,
 - loans and borrowings,
 - stocks in a dematerialized way

Stocktaking by verification

- tasks within balance verification are first and foremost:
 - comparison balance from opening balance with a statement of turnover and balance, which was the base for preparing approved balance for the previous financial year, to make sure that none of the balance components was not omitted in the account books for a current year and if values of specific components were properly transferred to the account books of current year

Stocktaking by verification

- tasks within balance verification are first and foremost:
 - comparison of owned documentation that is contracts of purchase, license agreements, invoices with the records of account books, to verify if specific balance components of the account books were properly qualified,
 - verification of the factual value of components which undergo stocktaking that is to verify accuracy of depreciation, validity of recorded write-offs, to analyze records concerning income and expenses of the specific components of assets and liabilities

Year-end Accounting Work

- before preparing financial statements, verification of account records has to be conducted and accuracy of accounting books checked in the following groups:
 - the group of accounts of the fixed assets
 - the group of accounts of the cash and bank accounts
 - the group of accounts of settlements and claims
 - expenses incurred by an economic undertaking

Thank you for attention