



23BAT605-FINANCIAL STATEMENT ANALYSIS

Preparation of final Accounts

Preparing final accounts involves summarizing a company's financial transactions and presenting them in a structured format. The final accounts typically include the income statement, balance sheet, and cash flow statement.

1. Trial Balance:

- Start with a trial balance that lists all the ledger accounts and their balances.
- Ensure that the total debits equal total credits to confirm the accuracy of the ledger.

2. Adjustments:

- Make necessary adjustments for accruals, prepayments, depreciation, and any outstanding expenses or income.
- Adjustments ensure that the financial statements reflect the true financial position of the company.

3. Income Statement (Profit and Loss Account):

- List all revenues and gains on the income statement.
- Deduct all expenses and losses to calculate the net profit or loss.
- Follow the format: Revenue - Expenses = Net Profit (or Net Loss).

4. Balance Sheet:

- Present assets and liabilities in a classified format.
- Assets include current assets (e.g., cash, receivables) and fixed assets (e.g., property, equipment).
- Liabilities include current liabilities (e.g., payables) and long-term liabilities (e.g., loans).
- The balance sheet equation is: Assets = Liabilities + Equity.

5. Cash Flow Statement:

- Present the cash flows from operating, investing, and financing activities.
- Operating activities include cash received from sales and cash paid for expenses.
- Investing activities involve cash transactions related to assets (purchase/sale of property, equipment, etc.).

- Financing activities include cash transactions with owners and creditors (issuing stock, repaying loans).

6. Notes to the Financial Statements:

- Include explanatory notes to provide additional information and context to the financial statements.
- Disclose accounting policies, significant accounting estimates, and other relevant details.

7. Comparative Information:

- Include comparative figures from the previous period for better analysis and trend identification.

8. Compliance with Accounting Standards:

- Ensure that the financial statements comply with relevant accounting standards and regulations.

9. Review and Approval:

- Have the final accounts reviewed by internal or external auditors for accuracy and compliance.
- Obtain approval from the management or board of directors.

10. Presentation and Formatting:

- Present the final accounts in a clear and understandable format.
- Use headings, subtotals, and proper formatting for readability.

11. Filing and Distribution:

- File the final accounts with regulatory authorities as required.
- Distribute the financial statements to shareholders and other stakeholders.

12. Continuous Monitoring and Improvement:

- Establish a process for continuous monitoring and improvement of financial reporting.
- Update accounting policies and procedures as needed.

By following these steps and principles, organizations can produce accurate, reliable, and meaningful final accounts that provide a snapshot of their financial performance and position.