

Award in Office Management and Administration Fundamentals

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Thursday, 20 October 2022



**Lecture 2:
Basic Bookkeeping**

Office Administrator / Manager



Which one of these is YOU ?

Office Administrator / Manager



Office Administrator / Manager



- Not the Maestro
- Not the Primo Violino
- Not the Lights Rigger
- Not the Set Designer

- The behind-the-scenes officer making sure everything runs smoothly !

Interlinking Role



Book-Keeping...or Accounting ?

- **Book-keeping** focuses on recording and organizing financial data.
- **Accounting** is the interpretation and presentation of that data to business owners and investors.
- Book-keeping typically consists of:
 - invoicing
 - receipts and bills
 - recording business transactions
 - payroll



Book-Keeping...or Accounting ?

- Accounting typically consists of:
 - financial statements and reports
 - budgets
 - tax returns
 - analyzing business performance



The tasks that book-keepers and accountants do **vary** between businesses.

Book-keepers working for smaller businesses might do some basic accounting duties.

There's often **overlap**, and the duties may change a lot from one business to another.

Business Organisations

- Self-Employed – Sole Trader
- Self-Employed – With employees
- Partnership
- Limited Liability Company
- Public Company
- Government & Parastatal
- Group Structure
- VOs and Associations
- Trusts



Financial obligations

- Maintain proper books of account
- Keep proper and full records
- Register with the Competent Authorities
- Malta Business Registry
- Commissioner for Revenue – Income Tax / VAT / PE
- Jobsplus
- MFSA
- Banks
- Insurance Companies



Daily Process

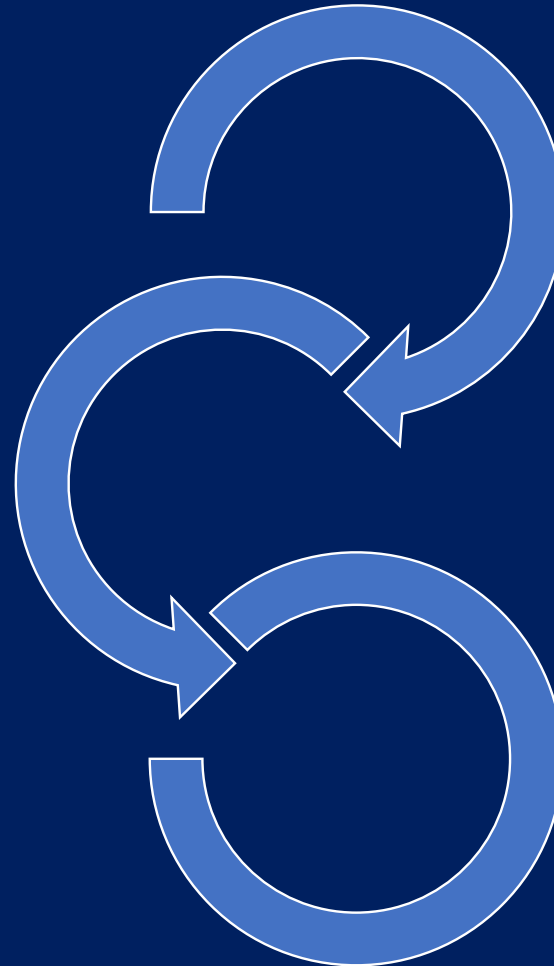
The transactions recorded in an entity must be initiated by:

- Documents
- Records
- Third party interaction
- Manual vs electronic



Process flow

- Orders
- Approvals
- Receipt of goods
- Confirmation
- Recording in Day Books
- Authorisation for Payment
- Payment
- Reconciliation



Daily Books

- Revenue Cycle
 - Cash Sales
 - Sales Invoices
 - Fiscal Invoices / Cash Register Chits / Z Readings
 - Receivables (or Debtors)



Samples of Sales Invoices

WPLIGHTHOUSE

1 Accounting Street,
St Venera

Phone +356 21 76 22 32
Email info@cleversolutions.eu
Domicile Malta

INVOICE

Date 29/09/2015
Invoice No. b27

Charge To: ABC address
Delivered To: ABC address

Customer's Reference	Sales Person	Your Tax Id.	Delivery Note No.	Due Date
	Saler Mann		auto	29/09/2015

Payment Terms: Cash Only

Item Code	Item Description	Quantity	Unit	Price	Discount %	Total
Service	Service01	5.00	hr	22.00		110.00
Service	Service01 (discount)	5.00	hr	-22.00		-110.00
Serv02	Service02	1.00	cm	10.00		10.00
Sub-total						10.00
VAT (F 18%) (18%)						1.80
TOTAL INVOICE						11.80

SPECIMEN FISCAL RECEIPT

VAT Reg No: MT7777777777 Receipt No.: 002100 No. 3 000 064

XYZ IRONMONGERY
1506, Triq il-Qaswar
Valletta

VAT DEPARTMENT
Ta' Parnis Road
Beltic Cross
SQA 10

Amount in terms of Euro (€) of VAT (0-100%)

Description of Goods / Provided	Amount (exclusive of VAT)	
As per Invoice 12345	47	79

Receipt Date: 11/06/07
Customer Name & ID Number when required:
Guzzeppi Borg 8882 8882

CUSTOMER'S COPY

Daily Books

- Purchasing Cycle
 - Purchase Orders
 - Purchase Invoices
 - Cash Expense
 - Payables (or Creditors)



Daily Books

- Banking Cycle
 - Receipts
 - Payments
 - Bank Statements
 - Reconciliations
- Payroll
 - Time-keeping
 - Processing
 - Settlement
 - Documentation



Bank Statements

Bank Statement

Account Number: 40 990 8435
Statement Number: 86
Statement Date: 7-Jul

date	Description	Out	In	Balance
	BROUGHT FORWARD BALANCE			1191.42
29-Jun	CARD PAYMENT	100.01		1022.7
30-Jun	CARD PAYMENT	68.71		954.05
1-Jul	DIRECT DEBIT BANK LOAN	38.15		924.54
1-Jul	DIRECT DEBIT BANK LOAN	69.01		903.76
1-Jul	CARD PAYMENT	26.78		647.29
1-Jul	DIRECT DEBIT BANK LOAN	13.98		633.31
1-Jul	CARD PAYMENT	256.47		587.86
1-Jul	DIRECT DEBIT BANK LOAN	45.46		568.52
1-Jul	CARD PAYMENT	19.34		547.19
1-Jul	DIRECT DEBIT STORE CARD	21.37		493.44
1-Jul	CARD PAYMENT	55.75		411.29
1-Jul	DIRECT DEBIT STORE CARD	86.15		360.62
1-Jul	CARD PAYMENT	86.15		269.78
1-Jul	DIRECT DEBIT BANK LOAN	50.97		258.79
1-Jul	DIRECT DEBIT BANK LOAN	60.84		228.54
1-Jul	DIRECT DEBIT BANK LOAN	10.99		171.97
1-Jul	CARD PAYMENT	30.15		161.98
1-Jul	DIRECT DEBIT BANK LOAN	54.67		131.03
1-Jul	CARD PAYMENT	9.99		124.04
1-Jul	DIRECT DEBIT BANK LOAN	30.95		103.37
1-Jul	CARD PAYMENT	6.95		97.38
1-Jul	DIRECT DEBIT STORE CARD	50.67		74.62
1-Jul	CARD PAYMENT	5.99		33.77
1-Jul	DIRECT DEBIT STORE CARD	22.76		7.11
1-Jul	CARD PAYMENT	40.85		-21.1
1-Jul	CARD PAYMENT	40.88		-61.55
1-Jul	DIRECT DEBIT STORE CARD	13.99		-75.54
1-Jul	CARD PAYMENT	10.45		-86.00
1-Jul	DIRECT DEBIT BANK LOAN			-106.45



Cash vs. Accrual Accounting

Cash accounting	Accrual accounting
Recognizes revenue when cash has been received	Recognizes revenue when it's earned (eg. when the project is complete)
Recognizes expenses when cash has been spent	Recognizes expenses when they're billed (eg. when you've received an invoice)
Taxes are not paid on money that hasn't been received yet	Taxes paid on money that you're still owed
Mostly used by small businesses and sole proprietors with no inventory	Required for businesses with high revenues



Double Entry



Double Entry

[ˈdɑːbəl ˈen-trɛ]

A fundamental concept underlying present-day bookkeeping and accounting which states that every financial transaction has equal and opposite effects in at least two different accounts.

 Investopedia

Background

- Double-entry bookkeeping was developed in the **mercantile period** of Europe
- To help rationalize commercial transactions and make trade more efficient
- It also helped merchants and bankers understand their costs and profits
- Some thinkers have argued that double-entry accounting was a key calculative technology responsible for the birth of capitalism
- The father of modern accounting is Italian **Luca Pacioli**, who in 1494 first described the system of double-entry bookkeeping used by Venetian merchants in his *Summa de Arithmetica, Geometria, Proportioni et Proportionalita*.



The Basics of Double Entry

- In the double-entry system, transactions are recorded in terms of debits and credits.
- Since a debit in one account offsets a credit in another, the sum of all debits must **equal** the sum of all credits.
- The double-entry system of book-keeping **standardizes** the accounting process and **improves** the accuracy of prepared financial statements, allowing for improved detection of errors.
- The list of all debits and all credits, as per each individual account in the Nominal Ledger is called a **TRIAL BALANCE**.



Examples of Double Entry Transactions

Purchase of machine by cash

- **Debit** Machine Account Increase in Asset
- **Credit** Cash Account Decrease in Asset

Payment of utility bills

- **Debit** Utility Expense Increase in Expense
- **Credit** Cash Account Decrease in Asset



Trial Balance

- In the Trial Balance, all Nominal Accounts are listed according to their Account number
- The values are listed under the Debit or Credit column
- The sum total of each column must be equal

Trial balance for George's Catering on the 31 st of May 2010			
	FOLIO	DEBIT	CREDIT
		\$	\$
Baking equipment	100	12,000	
Debtors	101	0	
Bank	102	14,800	
Capital	300		15,000
Drawings	301	500	
Loan	200		1,000
Creditors	201		0
Services rendered	400		15,500
Salaries	500	4,000	
Telephone expense	501	200	
		<u>31,500</u>	<u>31,500</u>



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Management Accounts

- Management accounting is the practice of:
 - Identifying
 - Measuring
 - Analyzing
 - Interpreting
 - Communicating financial information

to managers for the pursuit of an organization's goals.

- Allows business to forecast and project future trends.



Financial Accounting

- Financial accounting involves:
 - Recording
 - Summarizing
 - Reporting the stream of transactions and economic activity resulting from business operations over a period of time to the public or regulators.
- The financial statements produced through financial accounting are designed to disclose the business performance and financial health.



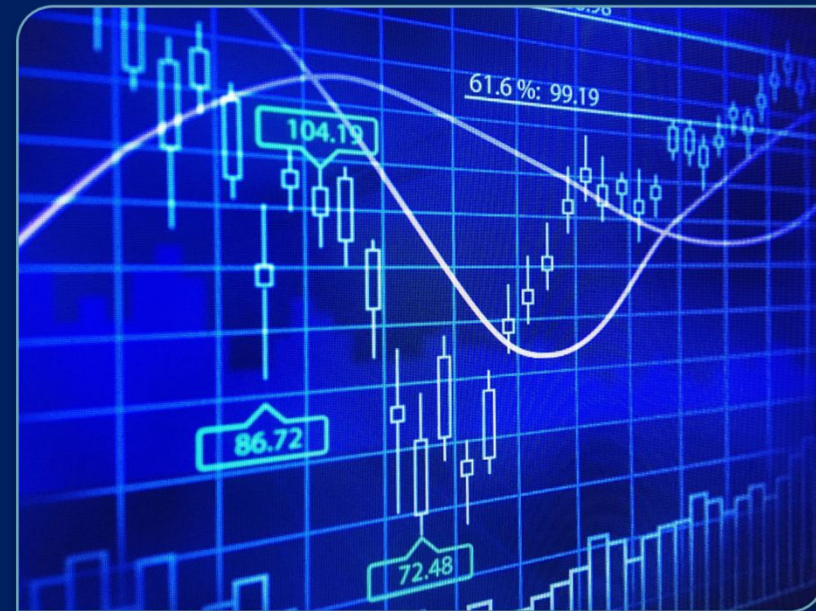
Financial vs Management Accounting

- Managerial accounting differs from financial accounting because the **intended purpose** of managerial accounting is to assist users **internal** to the company in making well-informed business decisions.
- If managerial accounting is created for a company's management; financial accounting is created for its investors, creditors, and industry regulators.



Statutory financial statements

- Income Statement
- Statement of Financial Position
- Cashflow Statement
- Audited Financial Statements
- Tax Returns
- VAT Returns



Income statement ... or profit & loss a/c ?

- Provides information on the results of the business activity for the particular period
- **Revenue**: Turnover; Sales of Goods; Provision of Services; Other Income
- **Cost of Sales**: Opening/Closing Stock; Purchases; Manufacturing Costs
- **GROSS PROFIT**
- **Expenses**: Marketing; Administration; Financial
- **Depreciation**
- **NET PROFIT** before TAX



Balance sheet... or statement of financial position !

- Provides a SNAP SHOT of the status and position of the Business Organisation at a PARTICULAR moment in time, e.g. 31 December 2021
- 3 main sections:
 - ASSETS
 - LIABILITIES
 - EQUITY / RETAINED EARNINGS



WHAT ARE ASSETS ?

What the business possesses

- Fixed Assets
 - Tangible / Intangible
- Current Assets
 - Stock
 - Receivables (or Debtors)
 - Cash in Hand
 - Bank holdings



...and liabilities ?

- What the business owes
- LONG-TERM LIABILITIES
- Bank Loans (due over 1 year)
- CURRENT LIABILITIES
- Payables (or Creditors)
- Accruals
- Bank Overdrafts
- Statutory Dues (Tax/VAT/FSS)



Assets minus liabilities = equity

Value of what the business possesses

LESS

Value of what the business owes to others

RESULTS IN

Net Value of Business

EQUITY (SHARE CAPITAL)

Retained Earnings (past profits)



Samples of Financial Statements

G2G P.L.C
Financial Statements for the year ended 31 December 2021

STATEMENT OF FINANCIAL POSITION
as at 31 December 2021

	Notes	2021 €	2020 €
ASSETS			
Non-current assets			
Investment in Gold	8	4,130,882	3,960,766
Deferred Tax		78,660	-
Total current assets		4,209,542	3,960,766
Current assets			
Financial assets at fair value through profit or loss	7	148,827	315,199
Prepayments and deferred income		6,678	11,679
Cash at bank and in hand	9	2,145	6,791
Accrued income		87,500	-
Total current assets		245,151	333,669
Total assets		4,454,693	4,294,435
EQUITY AND LIABILITIES			
EQUITY			
Share capital	10	46,588	46,588
Accumulated losses		68,775	(87,563)
Total equity		115,363	(40,975)
LIABILITIES			
Current liability			
Other payables	11	98,348	269,078
Total current liabilities		98,348	269,078
Non-current liabilities			
Borrowings	13	3,000,000	3,000,000
Derivative financial liabilities	14	1,240,982	1,066,332
Total non-current liabilities		4,240,982	4,066,332
Total liabilities		4,339,330	4,335,410
Total equity and liabilities		4,454,693	4,294,435

The accompanying notes are an integral part of these financial statements. The financial statements on pages 4 to 20 were authorised and signed by the board of directors on 14 September 2022.

Antonio Rossi
Director

Ettore Spinoccia
Director

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G2G P.L.C
Financial Statements for the year ended 31 December 2021

Profit or loss and other comprehensive income
for the year ended 31 December 2021

	Notes	2021 €	2020 €
Interest Income	4	258,908	171,409
Administrative expenses	6	(42,725)	(31,829)
Operating profit		216,183	139,780
Net fair value movements on investment in gold	8	170,116	467,755
Net fair value movements on financial instruments at fair value through profit or loss	7/ 12	(173,622)	(474,725)
Finance costs		(135,000)	(135,000)
Profit for the year		77,677	(2,190)
Income tax credit/ (expense)		78,660	-
Total comprehensive profit for the year		156,337	(2,190)

The accompanying notes are an integral part of these financial statements.

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Company Announcements

Award in Office Management and Administration Fundamentals



COMPANY ANNOUNCEMENT

Condensed Interim Financial Statements 2022

Date of Announcement: 28 July 2022
Reference No: APSB30

The following is a Company Announcement issued by APS Bank plc (or the "Bank") pursuant to the Capital Markets Rules issued by the Malta Financial Services Authority.

Quote

The Board of Directors of APS Bank plc met on 28 July 2022 and approved the attached Condensed Interim Financial Statements for the period ended 30 June 2022.

As the world is slowly transitioning into a post-pandemic era, economic instability is threatened once again from various directions - the geopolitical crisis emanating from the Russia-Ukraine war, continued global supply-side disruptions across various industries and inflationary threats which are leading to interest rate normalisation policies with cross-border economic effects. Amid these unprecedented challenges, the Bank posted record interim results which were in part reversed by the negative trends, albeit unrealised, of the investment in APS SICAV sub-funds at the Group level.

The following is an extract from the Condensed Interim Financial Statements for the period ended 30 June:

	The Group		The Bank	
	Jun-22	Jun-21	Jun-22	Jun-21
Profit before tax (€ mio)	1.9	12.2	13.6	11.5
Net interest income (€ mio)	29.8	26.3	29.0	25.6
Operating income before net impairments (€ mio)	27.0	30.4	36.4	29.1
Operating costs (€ mio)	(23.0)	(19.8)	(22.8)	(19.3)
Net impairment (losses)/ gains (€ mio)	(0.1)	1.7	(0.1)	1.7
ROAE (%)	(2.2)	7.7	9.1	7.8
Capital Adequacy Ratio (%)	19.5	17.5	20.3	17.3
Cost/Income (%)	85.1	65.2	62.5	66.4
	Jun-22	Dec-21	Jun-22	Dec-21
Loan book (€ mio)	2,198	2,066	2,198	2,066
Total assets (€ mio)	3,084	2,795	3,050	2,773
Customer deposits (€ mio)	2,619	2,432	2,620	2,433
Total equity (€ mio)	259	221	253	198

Registered Office: APS Bank plc, APS Centre, Tower Street, Birkirkara BKR 4012 – Malta
Registration Number C2192 | Website: www.apbank.com.mt | E-mail: investorrelations@apbank.com.mt | Tel.: 25603000
APS Bank plc is regulated by the Malta Financial Services Authority as a Credit Institution under the Banking Act 1994 and licensed to carry out Investment Services activities under the Investment Services Act 1994. The Bank is also registered as a Tied Insurance Intermediary under the Insurance Distribution Act 2018.



Financial Performance

For the six months ended 30 June 2022, APS Bank registered €1.9 million profit before tax at the Group level (2021: €12.2 million) and €13.6 million profit before tax at the Bank level (2021: €11.5 million).

The Group's revenues remain largely driven by net interest income which grew to €29.8 million for the period under review, 13.2% higher than the comparable figure of €26.3 million for 2021. Despite the tight interest rate conditions which prevailed, the growth in the lending book across both personal and commercial credit lines, and to a lesser extent in the syndicated book, created opportunities for spread. Interest payable remained around the same level of 1H2021 at €6.9 million, evincing the management's ability to achieve more efficient cost of funding with stable interest pricing on higher deposit liabilities.

Net fee and commission income grew by 35.1% over 2021, reaching €3.8 million. This growth is driven by general business activity in loans, payments and cards and a wider customer base which provides new sources of revenue generation.

For the six months under review, the Group's other operating income went into red territory of €6.6 million. This was largely due to the recent financial markets instability and rising fixed income yields which negatively affected the investment in the Group's sub-funds. These results reflect the performance of major bonds and equity indices, both in Malta and internationally, which have retracted by double-digit figures since the start of the year. Other operating revenues from business operations amounted to €1.6 million, increasing by €1.1 million over the comparative period.

Operating expenses for the six months ended 30 June 2022 were €23.0 million, up by €3.2 million or 15.9% on 2021. Main contributors include a higher accrual of €1.0 million in relation to the Deposit Compensation Scheme ("DCS") stemming from the Legal Notice 193 which brought forward a transitory period originally intended to be concluded in 2024. Staff costs also increased, reflecting rising labour prices across all levels and also the Group's commitment to attract and retain highly skilled resources, and invest in their wellbeing and training. Other increases are noticeable for most classes of insurance, security and certain sub-contracted services. Concurrently, various initiatives are under way to improve efficiency through greater automation, digitisation of records, centralisation of processes from the network and greater use of robotics and new technologies.

Net impairment charges amounted to €0.1 million, in contrast with the €1.7 million writedown for 1H2021 that had resulted from a reversal of impairment overlays reserved in the prior, Covid-19 financial year. The Group consistently maintains a prudent view of credit in line with its risk appetite and respectful of general economic conditions and outlook.

Financial Position

Total assets stood at €3.05 billion for the reporting period, further expanding by €259.3 million or 9.3% in the past six months. This growth was largely accrued by the increase in the Bank's lending book which since end-2021 grew by 6.4% to €2.2 billion. Home lending to retail customers remained a main driver for the growth, affirming the Bank's strong market position in this segment. The liquidity stock also grew significantly during the six months under review, with the treasury fixed-income portfolio increasing by €47.0 million to reach €375.1 million while cash and reserves with the Central Bank of Malta growing to €291.4 million compared to the €207.7 million at December 2021. Correspondingly, funding through short-term deposits increased by €205.7 million against a reduction of €18.6 million in term deposits, thus further improving the deposit portfolio mix. Amounts owed to banks stood at €70.1 million, increasing by €12.9 million on December 2021.

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The period under review also saw the Bank conclude the final phase of its 2018-2022 Capital Development Plan, which has nurtured the growth of recent years. Early in June, the Bank closed an Initial Public Offering (IPO) of 110 million ordinary shares at an offer price of €0.62 per share, raising €66 million of new equity. The highly successful IPO, which was closed prematurely due to heavy oversubscription, led to the listing of the Bank's entire share capital on the Malta Stock Exchange. At end-June the Bank's CET1 ratio stands at 16.4% and the Capital Adequacy Ratio (CAR) at 20.3%.

Dividend

The Board is recommending an interim net dividend of €1,800,000 (gross dividend of €2,769,231), payable through the issuance of new ordinary shares at the nominal value of €0.25 per ordinary share. The net dividend equates to 0.50 €cents per ordinary share (gross dividend of 0.77 €cents per ordinary share). Subject to any regulatory approvals required, an Extraordinary General Meeting ("EGM") will be convened to approve the issuance of new shares in satisfaction of this interim dividend. A separate announcement will be issued in due course announcing the date of the EGM for later in the year and after the summer period.

CEO Marcel Casar commented:

"As anticipated in our Quarterly Financial Update of April, the first half of 2022 got off to an extraordinary start as the impetus which developed on the back of a post-Covid economic rebound experienced a new series of shocks. Most prominently, the invasion of Ukraine and the amplified supply chain issues in both energy and food prices have fuelled inflationary pressures and resultant interventions from Central Banks. Such global developments are felt also in our widely open economy through higher costs of inputs and imported goods, being partly offset by Government subsidies which however contribute to a build-up in public debt. Against this backdrop, the Maltese economy is experiencing strong growth, boosted by a healthier than expected tourism season and buoyed by the removal from the FATF grey list.

While an increase in interest rates should generally be expected to benefit bank margins, it may also impact the ability of certain borrowers to service their repayments, raising the spectre of asset quality deterioration. It is still early to forecast how this new phase of interest rate normalisation will evolve; however the Bank is entering it with a strong balance sheet, fortified by a high capital pile, ample liquidity and a conservative risk appetite resulting from a tried and tested business model.

As the market absorbs the policy adjustments and hopefully moves into a calmer environment, we should expect values of financial instruments to slowly regain the unrealised losses of recent months. Throughout this first half, APS Bank continued strengthening the fundamentals in the core business lines, asset quality and capital. The balance sheet is stronger, fortified by a high capital pile, ample liquidity, and conservative risk appetite resulting from a tried business model. Riding on the back of a hugely successful IPO, we look at the months ahead with confidence and optimism for the opportunities they may hold."

The Condensed Interim Financial Statements for the period ending 30 June 2022 can be viewed on the Bank's website <https://www.apbank.com.mt/financial-information>.

Unquote



Graziella Bray B.A., LL.D, FCG
Company Secretary

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