

Award in Office Management and Administration Fundamentals

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Wednesday, 18 October 2023



**Lecture 1:
Basic Bookkeeping**

Office Administrator / Manager

Verdi's AIDA, Arena di Verona, July 2022



Who are 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
- Identita'
- MFSA
- Banks
- Insurance Companies



Daily Process

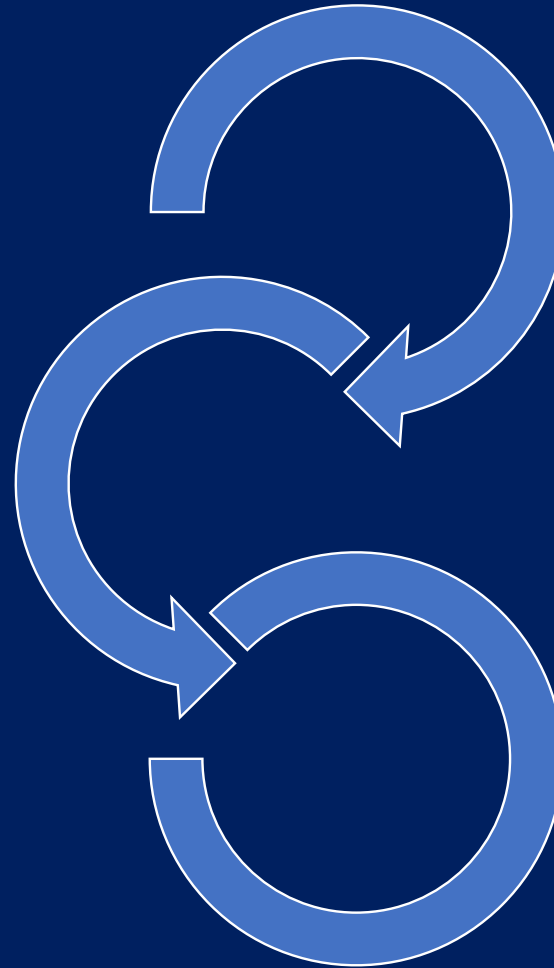
The transactions recorded in an entity must be initiated by:

- 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,
 2010000

INVOICE

Phone: +358 21 76 22 32
 Email: info@eversolutions.fi
 Contact: Maki

Date: 28/06/2015
 Invoice No.: 527

Order to: ABC
 address: address

Invoice to: ABC
 address: address

Customer's Reference	Sales Person	Your Tax ID	Delivery Note No.	Due Date
	Saku Manni		adm	28/06/2015

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
Service	Service02	1.00	unit	10.00		10.00
Sub-total						10.00
VAT (7.16%) (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-Qasbar
 Valletta

VAT DEPARTMENT
 Tri Pjatta Road
 Balaclava
 SGN 10

FINANCED in terms
 of Standing SA
 of VAT 02-1995.

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

Receipt Date: 11/06/07

Customer Name & ID Number when required:
 Giuseppe 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



Accounting Environment

- Accounting has been defined as the language of business
- Accounting enables organizations to determine how much profits or losses have been made in a particular period (financial year)
- Accounting provides statistical benchmarks against which an organization's overall performance is measured
- Accounting provides a universal explanation of the financial strength of an organization



History

- 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



History

- 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*.



Accounting Principles

- All users will see the same financial statements
- Principles – to provide consistent usable financial statements
 - Relevance
 - Reliability
 - Comparability
 - Understandability



Accounting Concepts

- Concepts represent the rules that are applied in recording transactions and preparing the Financial Statements
 - Business Entity Concept
 - Money Measurement Concept
 - Historic Cost Concept
 - Realisation Concept
 - Dual Aspect Concept
 - Consistency Concept
 - Materiality Concept
 - Accruals Concept
 - Prudence Concept
 - Going Concern Concept
 - Substance over Form




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



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



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



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>

Management Accounts

- Management accounting is the practice of:
 - Identifying
 - Measuring
 - Analyzing
 - Interpreting
 - Communicating financial informationto 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 2022
- 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		<u>4,209,542</u>	<u>3,960,766</u>
Current assets			
Financial assets at fair value through profit or loss	7	148,827	315,199
Prepayments and deferred income		6,679	11,679
Cash at bank and in hand	9	2,145	6,791
Accrued income		87,600	-
Total current assets		<u>245,151</u>	<u>333,669</u>
Total assets		<u>4,454,693</u>	<u>4,294,435</u>

EQUITY AND LIABILITIES

EQUITY

Share capital	12	46,500	46,500
Accumulated losses		68,779	(87,084)
Total equity		<u>115,279</u>	<u>(40,584)</u>

LIABILITIES

Current liability			
Other payable	11	85,048	262,570
Total current liabilities		<u>85,048</u>	<u>262,570</u>
Non-current liabilities			
Convertible	13	3,068,306	3,300,000
Deferred financial liabilities	14	1,248,302	1,368,332
Total non-current liabilities		<u>4,316,608</u>	<u>4,668,332</u>
Total liabilities		<u>4,401,656</u>	<u>4,930,902</u>
Total equity and liabilities		<u>4,566,935</u>	<u>4,930,902</u>

The accompanying notes are an integral part of these financial statements. The financial statements on pages 4 to 22 were authorized and signed by the Board of Directors on 15 September 2022.

Antonio Rossi
Director

Enzo Galardi
Director

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G2G P.L.C

Financial Statements for the year ended 31 December 2021

STATEMENT OF FINANCIAL POSITION
as at 31 December 2021

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Samples of Financial Statements

GGG 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 fixed	8	4,190,847	3,948,194
Deferred Tax		70,690	-
Total non-current assets		4,261,537	3,948,194
Current assets			
Financial assets at fair value through profit or loss	7	146,827	215,120
Prepayments and accrued income		8,870	11,870
Cash at bank and in hand	2	2,140	6,791
Accrued income		67,590	-
Total current assets		223,427	233,781
Total assets		4,484,964	4,204,435

EQUITY AND LIABILITIES			
EQUITY			
Share capital	10	48,588	48,588
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		4,484,693	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

Elena Galardi
Director

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EQUITY AND LIABILITIES

EQUITY

Share capital	10	48,588	48,588
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

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Antonio Rossi
Director

Ettore Spinoccia
Director

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Published Annual Reports

- As published this year
- Total of 175 pages
- Contains addresses from Chairman, and CEO
- Various Reports – Directors, Committees
- Financial Results
- Notes and Explanations

HSBC Bank Malta p.l.c.


Annual Report and Accounts 2022



...and more Annual Reports



Company Announcements



COMPANY ANNOUNCEMENT

Condensed Interim Financial Statements 2022

Date of Announcement: 28 July 2022
Reference No: APS2022

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

Update

The Board of Directors of APS Bank plc was 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 becoming more acute. Some nations' decisions - the geopolitical crisis emanating from the Russia-Ukraine war, continued global supply chain disruptions across various industries and inflationary pressures - which are leading to interest rate normalisation policies with cross-border currency effects. Amid these unprecedented challenges, the Bank posted record interim results which were in part covered by the negative trends, often mitigated, 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-20	Jun-22	Jun-21
Profit before tax of bank	1.0	12.2	13.6	13.3
Net interest income of bank	29.6	26.3	29.6	35.6
Operating income before net impairment of assets	27.0	36.4	36.4	29.5
Operating costs of bank	(25.8)	(24.4)	(22.8)	(19.5)
Net impairment charges/gains of bank	(9.3)	1.7	(9.1)	1.3
ROA (%)	15.5	7.7	9.1	7.6
Capital Adequacy Ratio (%)	29.5	17.5	20.3	17.5
Cost Income (%)	83.1	65.2	62.5	66.4

	Jun-22	Jun-20	Jun-22	Jun-21
Loan book of bank	2,796	2,089	2,796	2,086
Total assets of bank	3,074	2,740	3,076	2,713
Customer deposits of bank	2,619	2,022	2,620	2,023
Total equity of bank	249	120	101	146

Registered Office: APS Bank plc, 484 Gattaca, Tower Street, St. Julian's SLS 1011 - Malta
Registration Number: 21751 | Website: www.apsbank.com | E-mail: apscustomer@apsbank.com | Tel: +35621800
APS Bank plc is regulated by the Malta Financial Services Authority as a credit institution under the Banking Act (2008) and licensed to carry out its banking and financial services under the Investment Services Act (2007). The Bank is also registered as a credit institution under the Investment Services Act (2008).



Financial Performance

For the six months ended 30 June 2022, APS Bank registered €1.0 million profit before tax at the Group level (2021: €12.2 million) and €13.6 million profit before tax at the Bank level (2021: €11.3 million).

The Group's revenues remain largely driven by net interest income which grew to €29.6 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 prevented the growth in the lending book across both personal and commercial credit lines, and to a lesser extent in the capitalised bank-owned portfolios for general interest payable increased around the same level of 2020/21 at €6.9 million, ensuring the management's ability to achieve more efficient cost of funding with stable interest giving on higher deposit balances.

Net interest income grew by 15.7% over 2021, reaching €30.6 million. The growth is driven by general business activity in loans, payments and cash and a wider customer base which provides the sources of revenue generation.

For the six months ended 30 June, the Group's other operating income was total net income of €9.0 million. This was largely due to the recent financial markets volatility 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 returned by double-digit figures over the rest of the year. Other operating revenues from financial operations amounted to €1.6 million, decreasing by €1.2 million over the comparative period.

Operating expenses for the six months ended 30 June 2022 were €21.0 million, up by €1.2 million or 6.0% on 2021. Main contributors include a higher amount of €1.0 million in relation to the Deposit Compensation Scheme ("DCS") continuing from the Legal Service 103 which brought forward a recovery period originally intended to be concluded in 2024. Staff costs also increased, reflecting strong labour prices across all levels and also the Group's commitment to attract and retain highly skilled resources, and invest in both re-training and learning. Other increases are attributable to new classes of resources, security and estate sub-ordinated services. Conversely, various initiatives are under way to improve efficiency through greater automation, digitisation of manual, centralisation of processes from the network and greater use of robotics and technologies.

Net impairment charges amounted to €9.3 million, in contrast with the €1.7 million netback for H12021 that had resulted from a reversal of impairment overlays occurred in the prior, Covid-19 financial year. The Group consequently posts 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 €3.0 billion for the reporting period, higher expending by €29.7 million or 0.9% on the past six months. This growth was largely driven by the increase in the Bank's lending book which over 2021 grew by 4.4% to €2.8 billion. These findings to credit contracts remained a main driver for the growth, allowing the Bank's strong market position in this segment. The liquidity mark also grew significantly during the six months under review, with the liquidity liquid assets portfolio increasing by €27.0 million to reach €175.1 million while cash and deposits with the Central Bank of Malta growing to €291.6 million compared to the €287.7 million at December 2021. Correspondingly, funding through customer deposits increased by €205.7 million against a reduction of €14.6 million in term deposits, thus further improving the deposit portfolio mix. Deposits owed to banks stood at €76.1 million, increasing by €12.9 million on December 2021.

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The general under review document for the Bank concludes the final phase of its 2014-2022 Capital Development Plan, which has ensured the growth of assets over time. Early in 2022 the Bank closed its Initial Public Offering (IPO) of 1.5 million ordinary shares at an offer price of €0.33 per share, raising €49.5 million of net equity. The highly successful IPO, which was closed in January 2022, has many characteristics, led to the listing of the Bank's name on the Malta Stock Exchange, it had seen the Bank's 2022 main result at 16.4% and the Capital Adequacy Ratio (CAR) at 29.5%.

Website

The Board is recommending an interim dividend of €1,200,000 (gross dividend of €1,300,000) payable through the issuance of new ordinary shares at the nominal value of €0.33 per ordinary share. The net dividend represents 10.7% from the ordinary shares (gross dividend of 17.7% from the ordinary shares) subject to any regulatory approvals required. An Extraordinary General Meeting ("EGM") will be convened to approve the manner of new shares in substitution of the interim dividend. A separate announcement will be issued to the media concerning the date of the EGM for later in the year and after the interim period.

CEO Shared Commentary

"I am pleased to see (Shareholders) Financial Update of April 2022. In the half of 2022 our performance stood at the impressive 16.4% achieved by the Bank of a post-Covid recovery, robust operational performance of the Bank. More importantly, the structure of the Bank and the approach to capital management in both design and execution have indeed reflected the performance and resilience of the Bank. The Bank's global developments are also in line with our wider open economy through higher rates of input and improved growth. Being partly owned by Government, which has been a contributor to a stable and public debt, against the backdrop of the Malta economy is increasingly strong growth, fuelled by a healthier than expected tourism sector and helped by the recovery from the EFTF pay rise.

While an increase in interest rates should generally be expected to benefit fixed deposits, it may also impact the ability of clients to borrow to service their requirements, making the price of large public developments. It is still early to discern the full impact of interest rate normalisation and costs. However, the Bank is entering a work in progress balance sheet, fortified by a high capital ratio, ample liquidity and a conservative risk appetite resulting from a solid and sound business model.

In the months ahead, the public administration and regulatory bodies are in a further environment. We strongly expect robust financial statements to clearly signal the continued focus of robust growth. Throughout this period, APS Bank continues to strengthen the fundamentally of its core products line, asset quality and capital. The business plan is strategic, focused by a high capital ratio, ample liquidity, and a conservative risk appetite resulting from a solid business model. Having at the Bank of a highly successful IPO, we look forward to the next phase with confidence and optimism for the opportunities that lie ahead."

The Condensed Interim Financial Statements for the period ending 30 June 2022 can be viewed on the Bank's website: www.apsbank.com/interim-financial-statements.

Finance



Gottardo Bugeja, B.A., LL.B., FICP
Group Director

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