

# **Accounting Cycle And File Management System**

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# Presenter

**Russel Ngoben**

Entrepreneur

Business Accountant

Tax Practitioner

Motivational Speaker

Small Business Mentor

Business Strategist



# Course Outline



# Course Outline

## Session One:

- Theory: The accounting cycle.

## Session Two:

- Practical: The accounting cycle.

## Session Three:

- Theory: File Management Systems.

# Learning Objectives

By the end of this event, you will:

- Understand what the accounting cycle is.
- Know the stages of the accounting cycle and what is involved at each stage.
- Understand how to improve efficiency at each stage of the accounting cycle.
- Understand what a file management system is.
- Know how to create and run a good file management system.

# Quote:

*The secret to success is to be ready for your opportunity when it comes.*

- Benjamin Disraeli

# **Session One:**

# **The Accounting Cycle**

# Session 1:

## **Content:**

- **Definitions**
- **Uses of Financial Information**
- **Users of Financial Information**
- **Steps in the Accounting Cycle**

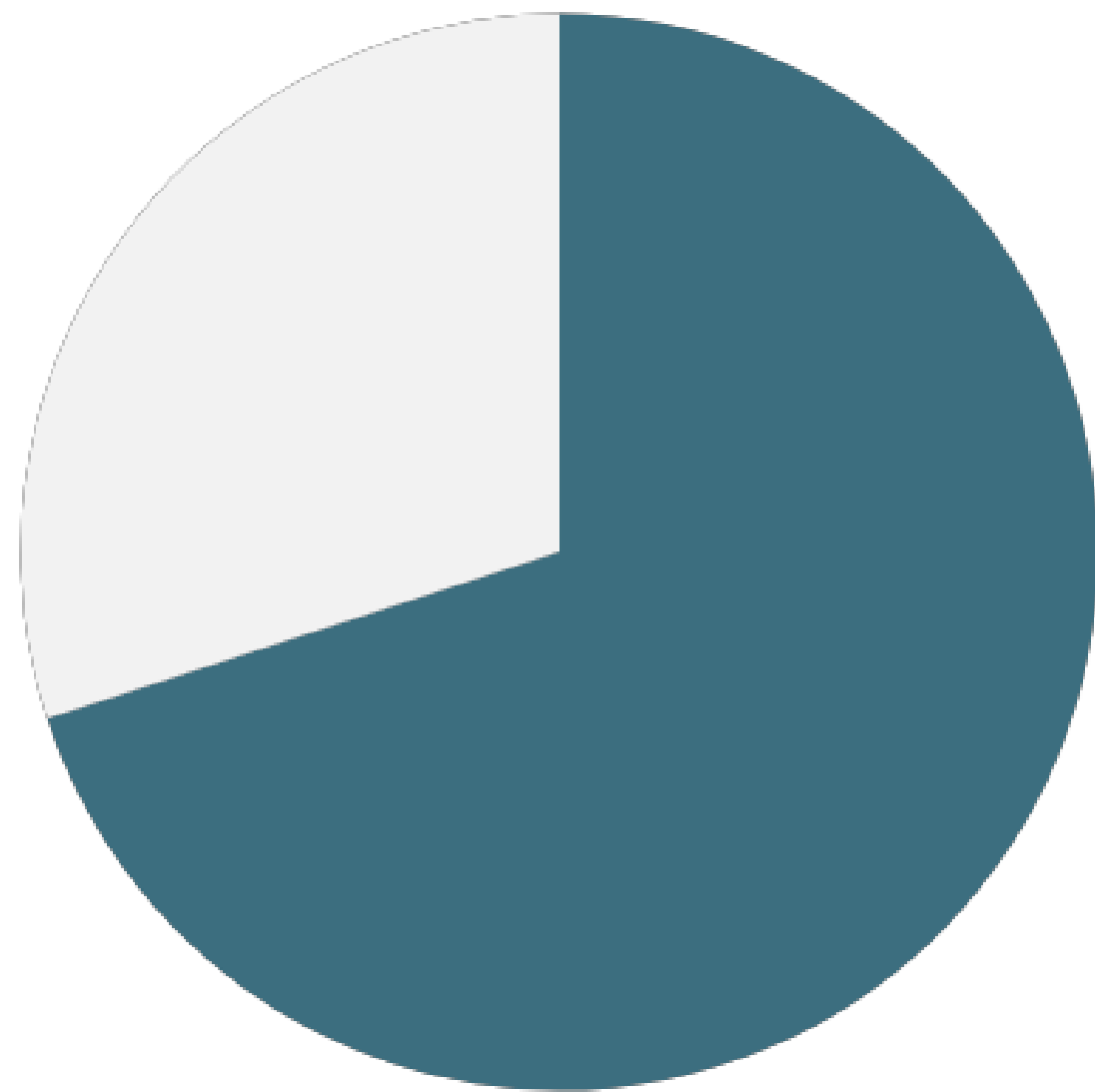
# Definition

The accounting cycle is a process of identifying, analysing, recording and reporting accounting events during a specific period known as the accounting period.

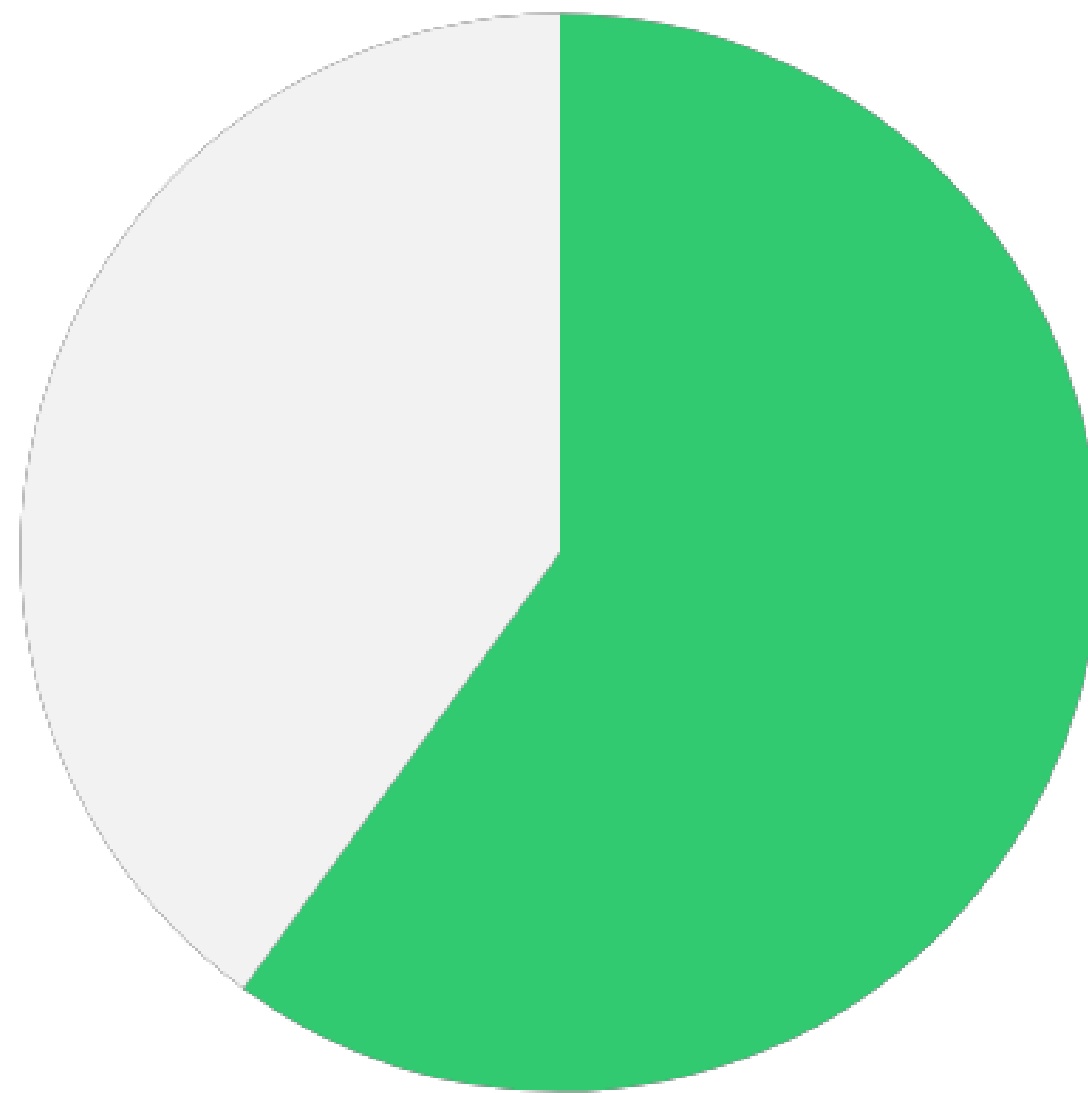
# Uses of Financial Information

1. Decision Making (Budgeting, Forecasting, Investing, etc.)
2. Financial Position
3. Evaluating Operations
4. Cash Flow Management
5. Owners' Equity
6. Tax Preparation

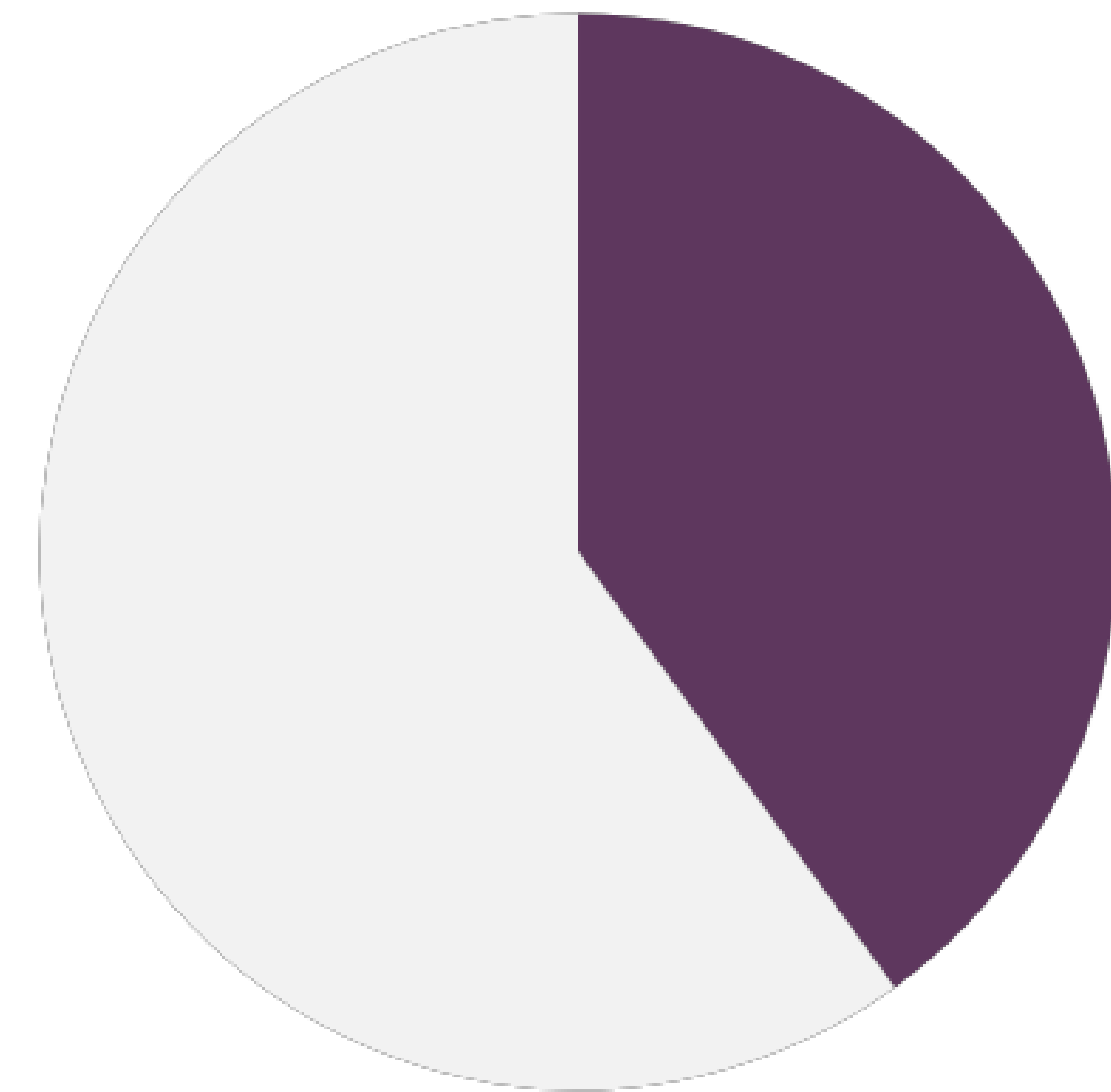
# Users of Financial Information



Management



Owners



External Users



# Steps in the Accounting Cycle

1. Identifying the accounting transaction
2. Recording the transaction
3. General Journal Posting
4. Preparing adjusting and/or non-adjusting entries
5. General Ledger Posting
6. Preparing the Trial Balance
7. Preparing the Annual Financial Statements
8. Closing the books

# 1. Identifying the accounting transaction:

This step is usually triggered by an occurrence of an accounting event in an accounting period. This could either be a sale, purchase of inventory, refund, debtor or creditor payment, bank transfer or other.

These transactions are usually recorded in accounting Books of Prime Entry.

Your job as an accountant is to identify the transaction as well as the Book of Prime Entry to which it belongs.

# Books of Prime Entry:

- Sales Journal;
- Purchases Journal;
- Cash Book;
- Petty Cash Book;
- Sales Returns Book;
- Purchases Returns Book;
- General Journal

## 2. Recording the transaction

- After identifying an accounting event, the next step is to analyse and record it where it belongs.
- This process entails the actual recording in your accounting software of the date, description, payee and amount of the actual event or accounting transaction.
- Transactions are usually recorded by date of occurrence and/or in source document sequential order and are usually referenced.

# 3. General Journal Posting:

- The General Journal is a business book which is used to record all business transactions that cannot be recorded in other books of original entry.
- Example: recording of depreciation and accumulated depreciation or purchases of fixed assets on credit.
- It is also used to make adjustments or corrections.

# 4.Preparing adjusting and/or non-adjusting entries

- Events after the reporting period are those events, favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue.

# 5. General Ledger Posting:

- The General Ledger summarises all accounting balances or totals for a specific period.
- Accounts included in the General Ledger include Revenue totals, other income, expenses, liabilities, owners' equity account balances, etc.
- It is a double-entry system tool that assist accountants reconcile their accounting transactions to ensure that all debits have an equivalent credit.
- The General Ledger is usually used to prepare the year-end or specific period Trial Balance.

# 6. Preparing the Trial Balance

- The Trial Balance is used to ensure that debits are equal to credits
- It is used to detect mathematical errors
- Types: Unadjusted Trial Balance, Adjusted Trial Balance, and Post-Closing Trial Balance.
- The Trial Balance is used in preparing the final accounting statements of the business



# 7. Preparing the Annual Financial Statements

## **Preparing vs Compilation**

- **Preparing** – is a simple process of taking accounting numbers and presenting them in a form of a financial statement;
- It may or may not include a written report;
- Can be outsourced to third parties; and
- Does not provide any form of assurance.

# 7. Preparing the Annual Financial Statements

## Preparing vs Compilation

- **Compilation** – is a simple process of taking accounting numbers and presenting them in a form of a financial statement;
- Must include a written report and the accountant name;
- Can be outsourced to third parties; and
- Does not provide any form of assurance.

# 7. Preparing the Annual Financial Statements

## **Comprise:**

- Owners' Report;
- Compilation Report;
- Statement of Financial Position;
- Statement of Profit and Loss and Other Comprehensive Income;
- Statement of Changes in Equity;
- Notes;

# 8. Closing the books

Is a process of ensuring that all information relating to a reporting period have been accounted for. The process includes:

- Close Revenue;
- Close Expenses;
- Close Temporary/Suspense Accounts

**End of Session One**

# **Session Two**

## **Practical: The Accounting Cycle**

# **Session Three:**

# **Theory: File Management Systems**

# Topic Outline

The topic will cover:

- Definitions of File Management System
- File Management System Options
- Why Accounting Firms Need A Document Management System
- Files that need to be kept safe
- Converting Paper Documents to Digital Formats
- Steps to a File/Document Management System
- Creating a File Management Plan
- Levels of security required
- Key Features to look for in a File Management System



# Definition

- File / Document management is the process of handling documents in such a way that information can be created, shared, organized, and stored efficiently and appropriately.
- A File Management System is a defined process that is used to do the above.
- There is a difference between a system and a software.

# File Management Systems:

## Accounting Files:

- Invoices;
- Bank Statements;
- Receipts;
- Contracts;
- Annual Financial Statements;
- Lease Contracts; etc.

# File Management Systems: Options

Most businesses prefer file management systems that:

- Are Computerised;
- Can easily integrate onto their existing systems;
- Offer large (cloud) storage space;
- Examples Include Sage, QB, Dropbox, Google Drive, Mega, etc.

# Why Accounting Firms Need A Document Management System

General rule: Any documents, accounts, books, writing, records or other information required to be kept in terms of the Act and other public regulation for at least 7 years

# File Management Systems

Document Retention: **7 years**

- Notice & Minutes of Shareholders' Meetings (Resolutions & Documents)
- AGM Reports
- Accounting Records
- Annual Financial Statements
- Register of company directors (past and present)
- Notices & Minutes: Board and committee meetings

# File Management Systems

Document Retention: **INDEFINITE**

- Registration Certificate
- Memorandum of Incorporation and alterations or amendments
- Share/Securities Register
- Register of company secretary/auditors
- Company Rules / Policies

# Conversions: Paper - Digital

Some Available Software:

- Receipts/Slips: Receipt Bank, Expensify, other.
- Contracts: Practice Ignition
- Invoicing / Accounting: QuickBooks / Sage, Xero, other
- Company Registration & Maintenance: CLPC or Biz Portal
- Tax: efile, EasyFile, etc.

# Creating a File Management System

- Understand your workflow
- Create a document management plan
- Implement the plan
- Monitor and evaluate the plan



# Creating a File Management System

## **GUIDE**

- Use standardised and company approved templates
- Define and understand reporting lines
- Use time or date stamps if necessary
- Define document safekeeping or file sharing procedures

# SECURITY

## **GUIDE**

- Lock and key for physical files / cabinets
- Cloud Storage
- File Backup (onsite and offsite)
- Restricting user access and permissions
- Company Policies & Procedures
- Track Changes

# File Management Software: Key Considerations & Features

- Assess the need
- Budget / Price
- Cloud-based? Storage Capacity
- User Access
- Annual or Monthly Payment Plan?
- Track Changes?
- Document Sharing?
- Reports?
- Check User Reviews

# End of Session Three

# Questions and Answers

**Thank You For Participating**