

Lesson 1

Accounting as an information system



Ph.D in Economic sciences,
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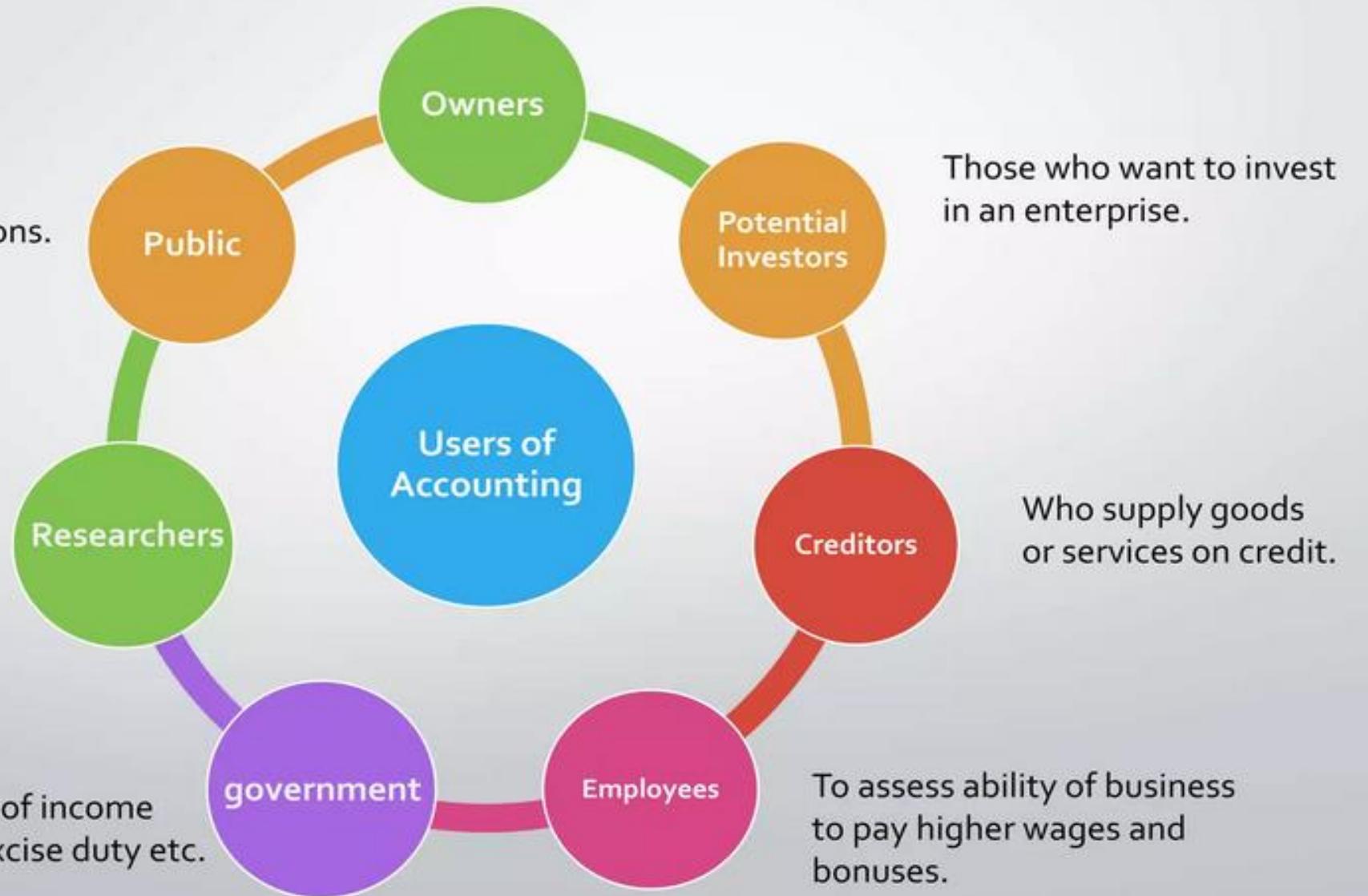
Accounting is the art of recording, classifying and summarizing in a significant manner and in terms of money, transactions and events which are, in part at least, of financial character and interpreting the results thereof.

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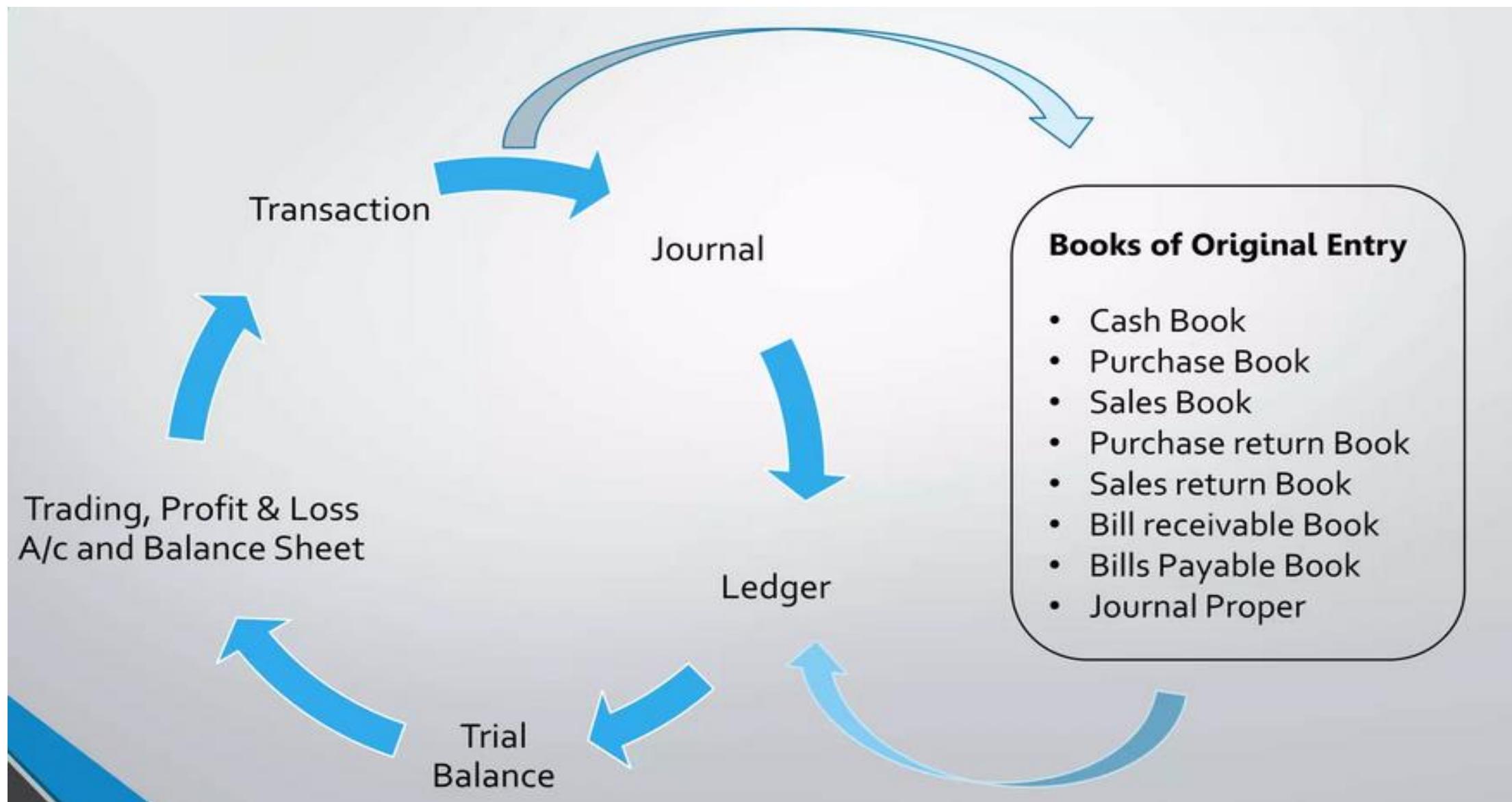
Need For Accounting !

- We need accounting because it is the **backbone of business finances**. It was created in response to the development of trade in medieval times. The first recorded source of accounting entries was in Italy in 1494 by Luca Pacioli, a Franciscan monk.
- It is simply not for providing information to tax authorities and government agencies but to **identify and record all the activities that impact an organization** in a financial manner.
- It is also **useful for the employees and customers** in order to know the condition of the business entity.

Users of Accounting

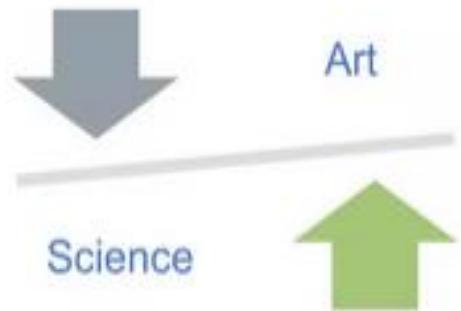


Accounting cycle



Accounting is an art as well as a science.

- Accounting is an **art** of **recording, classifying and summarising** financial transactions. It helps us in achieving our objective of maintaining proper accounts, i.e., to know the profitability and financial position of the business.
- Any organised knowledge is based on certain basic principles in a '**science**'. Accounting is also a science. It is an organised knowledge based on certain basic principles.



Recording of Financial transactions only

- Only those transactions and events are recorded which are of a financial character.
- There are a lot of transactions in the business which are very important for business but which cant be measured and expressed in terms of money.

Recording in Terms of Money

- Each transaction is recorded in the books in the terms of money only.

Communicating

- Includes the communication of financial data to the users who analyse them.

□ Classifying

- Classification is concerned with the systematic analysis of the recorded data, with a view to group transactions or entries of one nature at one place. The work of classification is done in the book termed as "Ledger".

□ Summarizing

- (1) Trial Balance,
- (2) Income statement
- (3) Balance sheet.

What Are the Objectives of Accounting ?

To keep systematic records :

- In the absence of accounting there would have been terrific burden on human memory which in most cases would have been impossible to bear.

To ascertain the financial position of business :

- The profit and loss account gives the amount of profit or loss made by the business during a particular period?

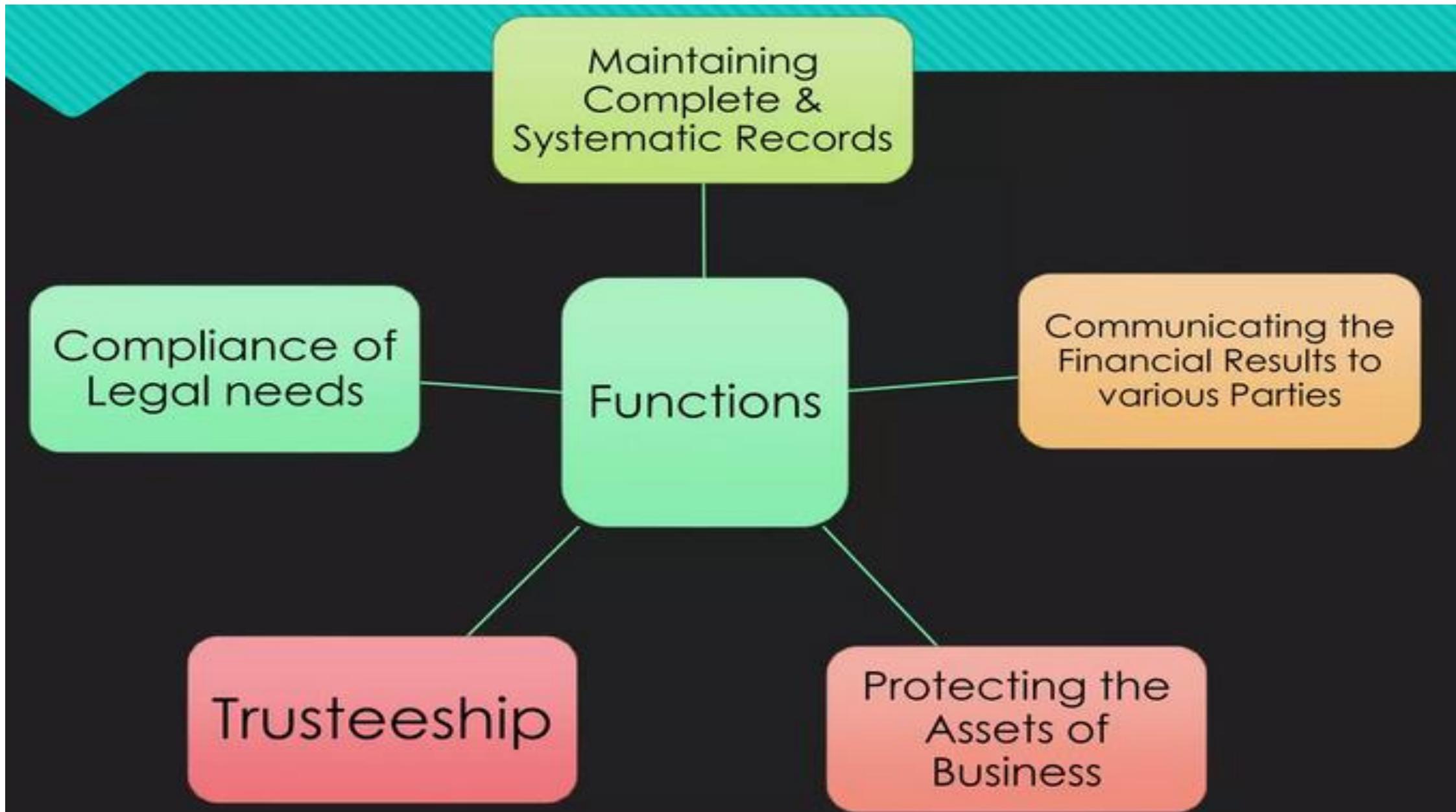
To Provide Information to the Users :

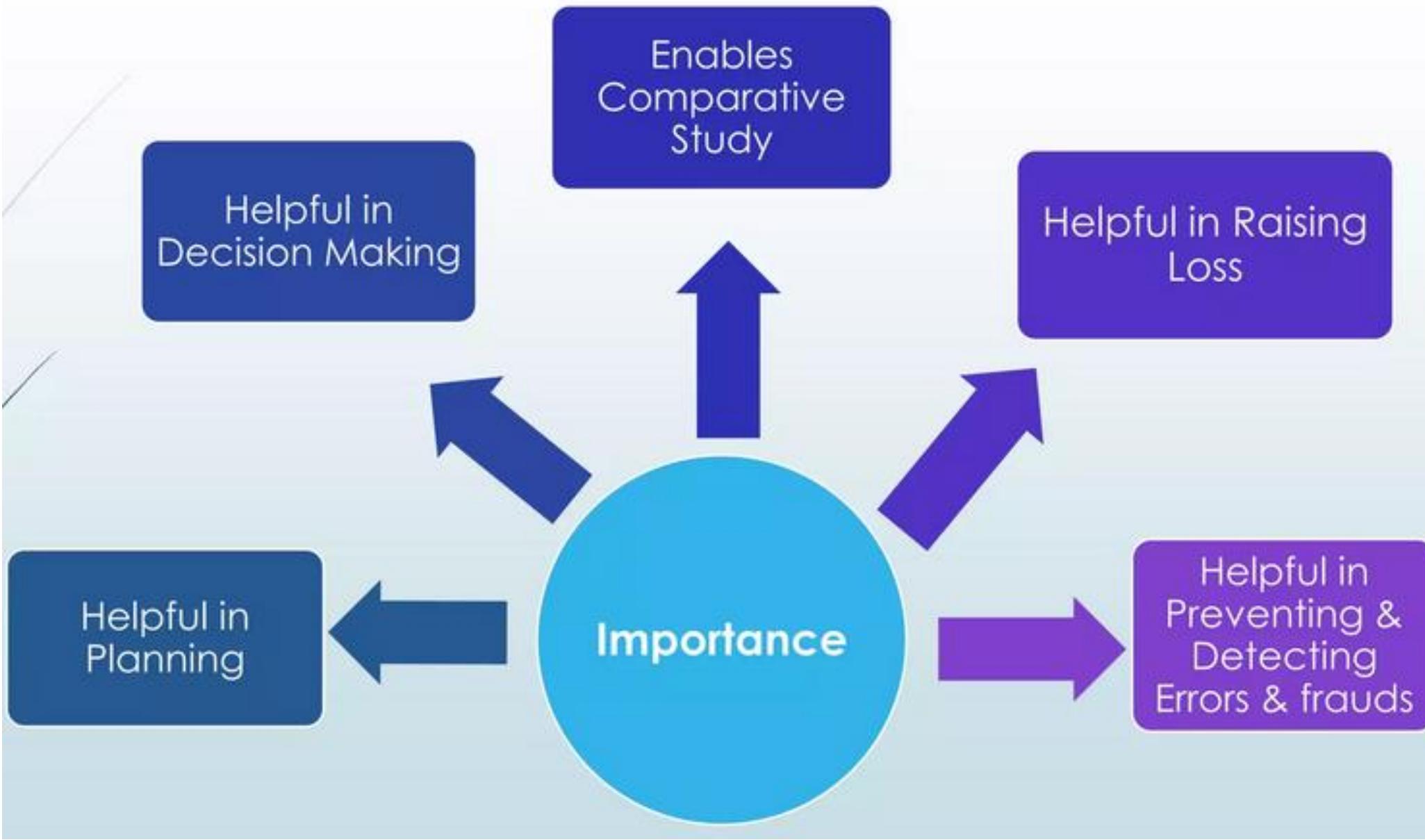
- The officers and staff of an enterprise need useful and timely information for making different types of business decisions.

Some other Objectives

- To know the exact reasons leading to net profit or net loss.
- To ascertain the financial position of the business from year to year.
- To prevent and detect errors and frauds.

Functions of Accounting





Balance Sheet Statement FY 2022 - 2023

The purpose of this slide is to provide glimpse about the balance sheet of the firm with information about assets, liabilities and shareholder's equity for current year.

Period Ending in Dollars	Jan 31,2023	Jan 31,2022	
Assets			
Current Assets			
Cash and Cash Equivalents	7,907,000	7,275,000	
Short Term Investments	-	-	
Net Receivables	4,144,000	3,905,000	
Inventor	33,160,000	34,511,000	
Other Current Assets	3,120,000	3,258,000	
Total Current Assets	48,331,000	48,949,000	
Long Term Investments	-	-	
Property Plant and Equipment	102,307,000	95,653,000	
Goodwill	16,126,000	15,260,000	
Intangible Assets	-	-	
Accumulated Amortization	-	-	
Other Assets	3,942,000	3,567,000	
Deferred Long Term Asset Charges	-	-	
Total Assets	170,706,000	163,429,000	
Liabilities			
Current Liabilities			
Accounts Payable	50,550,000	47,638,000	
Short/Current Long Term Debt	4,919,000	7,669,000	
Other Current Liabilities	92,000	83,000	
Total Current Liabilities	55,561,000	55,390,000	
Long Term Debt	36,401,000	34,549,000	
Other Liabilities	-	-	
Deferred Long Term Liability Charges	5,508,000	6,014,000	
Minority Interest	2,180,000	1,794,000	
Negative Goodwill	-	-	
Total Liabilities	99,650,000	97,747,000	
Stockholders' Equity			
Misc Stocks Options Warrants	307,000	397,000	
Redeemable Preferred Stock	-	-	
Preferred Stock	-	-	
Common Stock	378,000	393,000	
Retained Earnings	66,638,000	63,660,000	
Treasury Stock	-	-	
Capital Surplus	3,803,000	3,920,000	
Other Stockholder Equity	(70,000)	(2,688,000)	
Total Stockholder Equity	70,749,000	65,285,000	
Net Tangible Assets	54,623,000	50,025,000	

Balance Sheet

Assets		Liabilities + Equity	
Current Assets		Current Liabilities	
Description	Amount	Description	Amount
Cash	\$ 5,000	Accounts Payable	\$ 5,000
Accounts Receivable	\$ 5,000	Wages payable	\$ 5,000
Inventory	\$ 5,000	Interest Payable	\$ 5,000
Investments	\$ 5,000	Tax Payable	\$ 5,000
Additional Asset #1	\$ 5,000	Additional Liability #1	\$ 5,000
Additional Asset #2	\$ 5,000	Additional Liability #2	\$ 5,000
Total Current Assets	\$ 30,000	Total Current Assets	\$ 30,000
Property, Plant & Equipment		Long-Term Liabilities	
Description	Amount	Description	Amount
Land	\$ 5,000	Notes Payable	\$ 5,000
Buildings	\$ 5,000	Additional Asset #1	\$ 5,000
Equipment	\$ 5,000	Additional Asset #2	\$ 5,000
Accum. Depreciation	\$ (5,000)	Total Current Assets	\$ 15,000
Total PP&E	\$ 10,000	Total Liabilities \$ 45,000.00	
Other Assets		Equity	
Description	Amount	Description	Amount
Intangible Assets	\$ 5,000	Stock	\$ 5,000
Additional Asset #1	\$ 5,000	Retained Earnings	\$ 5,000
Additional Asset #2	\$ 5,000	Additional Equity Source	\$ 5,000
Additional Asset #3	\$ 5,000	Total Equity	\$ 15,000
Total Other Asset	\$ 20,000	Total Liabilities + Equity \$ 60,000.00	
Total Assets	\$ 60,000.00		

1. Vertical Balance Sheet

In a vertical format, the assets, liabilities, and shareholders' equity are presented one above the other. It's a common format businesses like Apple, Walmart, Tesla, etc., use to highlight the relative proportions of assets, liabilities, and equity in a clear and concise manner.

Company ABC Balance Sheet (Amount in millions \$)		
Particulars	Year 1	Year 2
Assets		
Current Assets		
Cash and cash equivalents	\$11,000	\$11,500
Marketable securities	\$120,000	\$115,000
Inventories	\$2,000	\$2,500
Trade receivables(net) and other receivables	\$30,000	\$25,000
Total Current Assets (A)	\$163,000	\$154,000
Non-Current Assets		
Property, plant, and equipment (net)	\$35,000	\$30,000
Intangible assets	\$7,500	\$8,000
Trade and other receivables	\$15,000	\$7,500
Goodwill	\$40,000	\$35,000
Total Non-Current Assets (B)	\$97,500	\$80,500
Total Assets (A+B)	\$260,500	\$234,500
Liabilities		
Current Liabilities		
Accounts payable	\$9,000	\$8,500
Current income tax liabilities	\$5,500	\$2,000
Current portion of long-term borrowings	\$49,000	\$44,000
Other	\$10,000	\$8,500
Total Current Liabilities (C)	\$73,500	\$63,000
Non-Current Liabilities		
Long-term income taxes	\$30,000	\$30,500
Long-term unearned revenue	\$44,500	\$38,500
Deferred income taxes	\$2,000	\$6,000
Other long-term liabilities	\$7,500	\$5,000
Total Non-Current Liabilities (D)	\$84,000	\$80,000
Stockholders' Equity		
Preferred Stock	\$42,000	\$35,000
Common stock	\$30,000	\$30,000
Additional Paid capital	\$5,000	\$5,500
Retained earnings	\$26,000	\$21,000
Total Stockholders' Equity (E)	\$103,000	\$91,500
Total Liabilities and Stockholders' Equity (C+D+E)	\$260,500	\$234,500

AMAZON.COM, INC. CONSOLIDATED BALANCE SHEETS (in millions, except per share data)		
	December 31,	
	2021	2022
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 36,220	\$ 53,888
Marketable securities	59,829	16,138
Inventories	32,640	34,405
Accounts receivable, net and other	32,891	42,360
Total current assets	161,580	146,791
Property and equipment, net	160,281	186,715
Operating leases	56,082	66,123
Goodwill	15,371	20,288
Other assets	27,235	42,758
Total assets	\$ 420,549	\$ 462,675
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 78,664	\$ 79,600
Accrued expenses and other	51,775	62,566
Unearned revenue	11,827	13,227
Total current liabilities	142,266	155,393
Long-term lease liabilities	67,651	72,968
Long-term debt	48,744	67,150
Other long-term liabilities	23,643	21,121
Commitments and contingencies (Note 7)		
Stockholders' equity:		
Preferred stock (\$0.01 par value; 500 shares authorized; no shares issued or outstanding)	—	—
Common stock (\$0.01 par value; 100,000 shares authorized; 10,644 and 10,757 shares issued; 10,175 and 10,242 shares outstanding)	106	108
Treasury stock, at cost	(1,837)	(7,837)
Additional paid-in capital	55,437	75,066
Accumulated other comprehensive income (loss)	(1,376)	(4,487)
Retained earnings	85,915	83,193
Total stockholders' equity	138,245	146,043
Total liabilities and stockholders' equity	\$ 420,549	\$ 462,675

OPEN JOINT STOCK COMPANY COMMERCIAL BANK KYRGYZSTAN

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2021
(in thousands of Kyrgyz soms)

	Notes	December 31, 2021	December 31, 2020
ASSETS			
Cash and cash equivalents	12	10,320,314	5,013,592
Amounts due from financial institutions	13	432,438	389,571
Loans to customers	14	8,877,776	8,019,239
Investment securities at amortised cost	15	777,092	802,795
Financial assets at fair value through profit or loss	16	1,148	4,526
Property and equipment	17	545,371	339,996
Intangible assets	18	262,110	205,468
Right-of-use assets	19	34,027	33,796
Deferred tax assets	11	-	-
Other assets	20	<u>562,515</u>	<u>537,736</u>
TOTAL ASSETS		<u>21,812,791</u>	<u>15,346,719</u>
SHAREHOLDERS' EQUITY AND LIABILITIES			
LIABILITIES:			
Customer accounts	21	17,040,239	10,490,012
Amounts due to financial institutions	22	363,711	710,215
Financial liabilities at fair value through profit or loss	16	81,636	106,912
Deferred tax liability	11	8,671	19,587
Other borrowed funds	23	1,463,450	1,595,868
Lease liabilities	24	36,337	39,356
Other liabilities	25	<u>466,020</u>	<u>277,714</u>
		<u>19,460,064</u>	<u>13,239,664</u>
SHAREHOLDERS' EQUITY:			
Share capital	26	1,936,748	1,734,163
Retained earnings		<u>415,979</u>	<u>372,892</u>
		<u>2,352,727</u>	<u>2,107,055</u>
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		<u>21,812,791</u>	<u>15,346,719</u>

On behalf of the Management of the Bank:

Zharkynbek Sagyndykov
Chairman of Management



Elmira Djenbaeva
Chief Accountant

March 15, 2022
Bishkek, the Kyrgyz Republic

March 15, 2022
Bishkek, the Kyrgyz Republic

Horizontal Balance Sheet

In the horizontal format balance sheet, the financial information is present in a horizontal row-by-row format. This format allows for quick year-over-year comparisons as it is easy to identify changes in each category over time.

Company ABC Balance Sheet (Amount in millions \$)			
Assets	Amount	Liabilities	Amount
Current Assets		Current Liabilities	
Cash and cash equivalents	\$11,000	Accounts payable	\$9,000
Marketable securities	\$120,000	Current income tax liabilities	\$5,500
Inventories	\$2,000	Current portion of long-term	\$49,000
Trade receivables(net) and other receivables	\$30,000	Other	\$10,000
Total Current Assets (A)	\$163,000	Total Current Liabilities (C)	\$73,500
Non-Current Assets		Non-Current Liabilities	
Property, plant, and equipment (net)	\$35,000	Long-term income taxes	\$30,000
Intangible assets	\$7,500	Long-term unearned revenue	\$44,500
Trade and other receivables	\$15,000	Deferred income taxes	\$2,000
Goodwill	\$40,000	Other long-term liabilities	\$7,500
Total Non-Current Assets (B)	\$97,500	Total Non-Current Liabilities (D)	\$84,000
		Stockholders' Equity	
		Preferred Stock	\$42,000
		Common stock	\$30,000
		Additional Paid capital	\$5,000
		Retained earnings	\$26,000
		Total Stockholders' Equity (E)	\$103,000
Total Assets (A+B)	\$260,500	Total Liabilities and Stockholders' Equity (C+D+E)	\$260,500

OPEN JOINT STOCK COMPANY COMMERCIAL BANK KYRGYZSTAN

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2021
(in thousands of Kyrgyz soms)

	Notes	For the year ended December 31, 2021	For the year ended December 31, 2020
Interest income	6	1,538,927	1,413,925
Interest income on REPO	6	2,014	1,207
Interest expenses	6	(367,225)	(367,008)
NET INTEREST INCOME BEFORE ACCRUAL OF ALLOWANCE FOR EXPECTED CREDIT LOSSES ON INTEREST BEARING ASSETS		1,173,716	1,048,124
Accrual of allowance for expected credit losses on interest bearing assets	7	(60,633)	(156,898)
NET INTEREST INCOME		1,113,083	891,226
Commission income	8	576,108	395,113
Commission expenses	8	(488,739)	(170,743)
Net gains from financial instruments at fair value through profit or loss		69,834	37,542
Net gain on foreign currency transactions	9	426,096	319,415
Other income, net		40,766	7,734
NET NON-INTEREST INCOME		624,065	589,061
Operating expenses	10	(1,392,391)	(1,174,668)
Accrual of allowance for impairment losses on other assets and liabilities	7	(27,986)	(27,319)
OPERATIONAL EXPENSES		(1,420,377)	(1,201,987)
PROFIT BEFORE INCOME TAX		316,771	278,300
Income tax	11	(20,448)	(25,063)
NET PROFIT FOR THE YEAR		296,323	253,237
Other comprehensive income		-	-
Total comprehensive income		296,323	253,237
Earnings per share (soms)	27	0.77	0.73
Weighted average number of ordinary shares		387,349,513	346,832,573

On behalf of the Management of the Bank:

Zharkynbek Sagyndykov
Chairman of Management Board




Elmira Djenbaeva
Chief Accountant

March 15, 2022
Bishkek, the Kyrgyz Republic

The notes on pages 10-79 form an integral part of the financial statements. The independent auditor's report is on pages 3-4

Income Statement

Logo

	2022	2021
TURNOVER	£345 000,00	
Cost of sales	£275 000,00	
GROSS PROFIT (OR LOSS)	£70 000,00	
Expenses		
Distribution costs	£20 000,00	
Administrative expenses	£30 000,00	
Other income		
Other operating income	£2 000,00	
Income from shares in group undertakings	£0,00	
Income from participating interests	£0,00	
Income from other fixed asset investments	£0,00	
Other interest receivable and similar income	£0,00	
Amounts written off investments	£0,00	
Operating profit before interest and taxation*	£22 000,00	
Interest payable and similar expenses	£7 500,00	
Profit and loss before taxation	£14 500,00	
Tax on profit or loss	£2 900,00	
Profit or loss after taxation	£11 600,00	
Other taxes not shown above	£0,00	
PROFIT (OR LOSS) FOR THE FINANCIAL [YEAR]	£11 600,00	



Cash Flow Statement FY 2021 - 2022

The purpose of this slide is to provide glimpse about the firm's ability to create value for shareholders by generating positive cash flows for current year.

Period Ending In Dollars	Jan 31, 2022	Jan 31, 2021
Net Income	14,335,000	13,4000,000
Operating Activities, Cash Flows Provided by or Used in		
Depreciation	7,157,000	6,739,000
Adjustments to Net Income	(425,000)	435,000
Changes in Accounts Receivables	(297,000)	(101,000)
Changes in Liabilities	2,400,000	1,626,000
Changes in Inventories	2,265,000	(220,000)
Changes in Other Operating Activities	301,000	769,000
Total Cash Flow from Operating Activities	26,249,000	23,147,000
Investing Activities, Cash Flows Provided by or Used in		
Capital Expenditures	(12,184,000)	(11,499,000)
Investments	-	-
Other Cash Flows from Investing Activities	564,000	757,000
Total Cash Flows from Investing Activities	(11,620,000)	(10,742,000)
Financing Activities, Cash Flows Provided by or Used in		
Dividends Paid	(4,217,000)	(3,746,000)
Sale Purchase of Stock	(7,712,000)	(3,521,000)
Net Borrowings	(1,866,000)	(2,918,000)
Other Cash Flows from Financing Activities	(396,000)	267,000
Total Cash Flows From Financing Activities	(14,191,000)	(9,918,000)
Effect of Exchanges Rate Changes	194,000	(781,000)
Change in Cash and Cash Equivalents	632,000	1706,000

Statement of Change in Equity

	Share Capital	Retained Earnings	Revaluation	Total
At Jan. 01, 2023	\$55,000	-	-	\$83,423
Changes in accounting policy	-	-	-	-
Prior period error correction	-	-	-	-
Add: New Paid in Capital	\$10,000	-	-	\$10,000
New Profit for the year	-	\$15,328	-	\$15,328
Revaluation gain	-	-	\$500	\$500
Deduct: Owner's Withdrawal	-	\$5,000	-	\$5,000
As of Dec. 31, 2023	\$65,000	\$38,751	\$500	\$104,251

A statement of change in equity is one of the financial statements that show the shareholder contribution, and movement in equity, and equity balance at the end of the accounting period. Information that shows in these statements include the classification of share capital, total share capital, retain earning, dividend payment, and other related state reserves.

Statement of Changes in Equity	
C16	=C10+C19+C25
A	B
	C
Particulars	Amount in Millions
Opening balance of equity as on Sep. 30, 2018	\$1,07,147
Common stock and additional paid-in capital:	
Opening balance as on Sep. 30, 2018	\$40,201
Stocks issued	\$781
Stocks withheld for net share settlement	(\$2,002)
Stock-based compensation	\$6,194
Closing balance as on Sep. 28, 2019	\$45,174
Retained earnings:	
Opening balance as on Sep. 30, 2018	\$70,400
Net income	\$55,256
Dividends declared	(\$14,129)
Closing balance of equity as on Sep. 28, 2019	\$45,174

Thanks for your attention !