**Record To Report – General Ledger, Interview Questions and Answers**

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## 1. What are the Golden Rules of Accounts?

| | | |
|---|---|---|
| Real | – Debit | – What Comes in |
| | – Credit | – What Goes out |
| Personal | – Debit | – Receiver |
| | – Credit | – Giver |
| Nominal | – Debit | – Expenses & Losses |
| | – Credit | – Incomes & Gains |

## 2. What are the Accounting Concepts?

1. Going Concern Concept
2. Money Measurement Concept
3. Accounting Period Concept
4. Matching Concept

## 3. What is the Record to Report Process?

1. Transaction Processing
2. Reconciliation
3. Month End Close
4. Consolidation

## 4. What are Accruals?

Accruals are the expenses that have been incurred but not yet paid or revenue that has been earned but not yet collected.

**Journal Entries**

**Accrued Expense**

Debit Expense
Credit Accrued Expense

**Accrued Revenues**

Debit Accounts Receivable
Credit Service Revenue

Debit Cash
Credit Accounts Receivable

**Accrued Interest**

Debit Interest Expense

Credit Accrued Interest

**Accrued Income**

Debit Accrued Income
Credit Income

**5. What are Prepaid Expenses?**

Prepaid Expenses are the expenses that have been paid but not yet incurred or revenue that has been collected but not yet earned. Prepaid Expenses is the opposite of Accruals.

**Journal Entries**

Debit Prepaid Expense
Credit Cash

Debit Expense
Credit Prepaid Expense

**6. What are Deferred Revenues?**

Deferred Revenue is also known as unearned revenue, refers to advance payments a company receives for products or services that are to be delivered or performed in the future.

It is liability side of the Balance Sheet.

**Journal Entries**

Debit Cash
Credit Deferred Revenue

Debit Deferred Revenue
Credit Revenue

**7. What are Provisions?**

Provisions are made to meet specific liability or contingency.

**Journal Entries**

Debit Profit & Loss
Credit Provision for bad & doubtful debts

**8. What is Fixed Assets?**

Fixed Assets are most commonly referred to as Property, Plant, and Equipment.

Fixed assets are subject to depreciation to account for the loss in value as the assets are used, whereas intangibles are amortized.

Process involves like Assets, Capitalisation, Retirement, International Transfer, Asset Tag, Journal Vouchers, Reconciliation, Month End Close.

**9. What is Intercompany?**

Intercompany involves recording of financial transactions between different legal entities within the same parent company.

**Types of Inter Company Transactions**

1. Intercompany Purchases/Sales
2. Intercompany Loans
3. Intercompany Dividends
4. Transfer of Assets or Liabilities
5. Consolidation

**Journal Entries**

Debit Intercompany Payable
Credit Intercompany Receivable

**10. What is Accounts Receivable?**

Accounts receivable (AR) is the balance of money due to a firm for goods or services delivered or used but not yet paid for by customers. Accounts receivable is listed on the balance sheet as a current asset.

Any amount of money owed by customers for purchases made on credit is AR.

The process involves Order Management, Credit Management, Order Fulfilment, Order Shipping, Customer Master, Billing, Cash Application, Collection, Payment, Customer Reconciliation, Dispute Management, Month End Close.

**11. What is Accounts Payable?**

Accounts payable (AP) refer to a company's short-term obligations owed to its creditors or suppliers, which have not yet been paid.

Payables appear on a company's balance sheet as a current liability.

The process involved Procurement, Purchase Requisition, Request for Quotation, Purchase Order, Goods Received Note, Invoice, Vendor Master, Invoice Processing, Payment, Vendor Reconciliation, Customer Service Centre, Month End Close.

**12. What is the Purchase Journal Entry?**

Debit Purchase

Credit Accounts Payable

**13. What is Bank Reconciliation Statement?**

Bank Reconciliation Statement is a statement which Reconciliation the bank balance as per cash book with the balance as per passbook.

1. Cheque issued but not collected for payment
2. Cheque deposited into bank but not cleared / credited.
3. Interest charged or allowed by the bank but not showing into the book.

**Types of Bank Reconciliation Statement:**

1. Manual: Compare among pass book and cash book
2. Automatic EBS (Electronic Bank Reconciliation Statement).

**14. What is Accounts Reconciliation?**

**Bank Reconciliation:**

Purpose: Reconciling the company's cash records (general ledger) with the bank's records (bank statement).

Process: Comparing the transactions in the bank statement (deposits, withdrawals, fees) with the company's cash account in the general ledger. Adjustments are made for outstanding checks, deposits in transit, bank errors, and other discrepancies.

**Accounts Receivable Reconciliation:**

Purpose: Ensuring that the accounts receivable (amounts owed by customers) recorded in the general ledger match the details in the subsidiary ledger or customer statements.

Process: Matching individual customer balances with the accounts receivable control account in the general ledger. Investigating and resolving differences due to unapplied payments, credits, or billing errors.

**Accounts Payable Reconciliation:**

Purpose: Verifying that the accounts payable (amounts owed to vendors) recorded in the general ledger align with vendor invoices and statements.

Process: Comparing vendor balances in the Accounts payable ledger with the general ledger. Addressing discrepancies caused by unmatched invoices, prepayments, vendor credits, or billing mistakes.

**Intercompany Reconciliation:**

Purpose: Balancing transactions and balances between different entities or divisions within the same organization.

Process: Reviewing transactions between intercompany accounts to ensure consistency and accuracy. Resolving discrepancies caused by intercompany loans, transfers, sales, or expenses.

**Inventory Reconciliation:**

Purpose: Validating the accuracy of inventory records in the general ledger against physical inventory counts.

Process: Conducting physical inventory counts and comparing them with the inventory balances in the general ledger. Adjusting for shrinkage, spoilage, or discrepancies between book inventory and actual quantities.

**Credit Card Reconciliation:**

Purpose: Matching credit card transactions recorded in the general ledger with credit card statements from the provider.

Process: Reconciling individual credit card transactions, fees, and payments to ensure accuracy. Addressing discrepancies caused by missing transactions, refunds, or processing errors.

**Payroll Reconciliation:**

Purpose: Verifying payroll transactions and deductions recorded in the general ledger against payroll reports and employee records.

Process: Comparing payroll expenses, tax withholdings, and benefit contributions in the general ledger with payroll reports from the payroll system. Resolving discrepancies related to employee salaries, benefits, or payroll taxes.

**15. What is Revenue Reconciliation?**

Revenue Reconciliation is the process of comparing financial records to ensure they match and identifying any discrepancies.

It involves comparing revenue records from different sources such as sales, invoices, and payments.

For Example, matching sales data with bank deposits and reconciling invoices with payments received.

**16. What is discrepancy?**

A discrepancy refers to a difference between two expected or related figures, results, or records.

These discrepancies can arise due to various reasons, including human error, contractual agreements, balance sheet reconciliations, etc.

**17. What is Depreciation?**

Depreciation is the reduction in the value of tangible assets Ex: Property, Plant & Equipment.

**18. What is Amortization?**

Amortization is the reduction in the value of intangible assets Ex: Patents & Trademark.

**19. What is Goodwill?**

Goodwill is the Intangible Asset. It is the value of the reputation of the firm.

**20. What are the Accounting Standards 116?**

AS 116 is Leases. Lessees are required to recognize most leases on their Balance Sheets as lease liabilities and right-of-use assets.

This means that leases previously classified as operating leases (off-balance sheet) are now recognized on the Balance Sheet.

**21. What are Recurring Journal Entries?**

Create Recurring Journal Entry templates. Recurring entries are changed or terminated at appropriate trigger points.

Set up Recurring Journal Entry templates in accounting software, specifying account codes, amounts, frequencies and start dates.

Recurring journal entries are routine transactions that repeat regularly within an accounting period.

These entries are typically generated automatically by accounting software to record predictable and repetitive transactions.

For Example: Rent payments, Utility bills, Depreciation or Loan repayments.

Types of Recurring Journal Entries

1. Accruals
2. Prepayments
3. Depreciation
4. Amortization

**22. What is Reclass Journal Entry?**

Reclass Journal Entry is used to transfer an amount from one general ledger account to another to correct a misclassification or error in the initial recording.

Reclass journal entries are essential for maintaining accurate financial records and ensuring that transactions are properly categorized in accordance with accounting standards.

For Example, of Reclass Journal Entry:

Suppose an expense of $500 was incorrectly recorded as "Office Supplies" instead of "Repairs & Maintenance." To reclassify this expense, you would create the following reclass journal entry:

Debit: Repairs & Maintenance Expense $500

Credit: Office Supplies Expense $500

This entry corrects the misclassification by debiting the correct expense account (Repairs & Maintenance) and crediting the incorrect expense account (Office Supplies).

**23. What is Reversal Journal Entries?**

Reversal journal entries are used to correct or reverse a previously recorded transaction in accounting.

These entries are typically made to rectify errors, adjust accruals or handle temporary transactions that need to be undone in a subsequent accounting period.

For Example, of Reversal Journal Entries:

Original Entry

Debit: Professional Services Expense $5,000

Credit: Accrued Expenses $5,000

Reversal Entry

Debit: Accrued Expenses $5,000

Credit: Professional Services Expense $5,000

**24. What is FX (Foreign Exchange) Revaluation?**

FX (Foreign Exchange) Revaluation refers to the process of adjusting the value of foreign currency-denominated assets and liabilities to reflect changes in exchange rates.

This adjustment is necessary to accurately report the financial position and performance of an entity, especially when dealing with foreign currency transactions.

Ensure that foreign currency assets and liabilities are stated at their current market values in the reporting currency (e.g., USD, EUR) due to fluctuations in exchange rates.

For Example, of FX Revaluation:

Suppose a US-based company has accounts receivable denominated in Euros. At the end of the reporting period, the exchange rate has changed from 1 EUR = 1.10 USD to 1 EUR = 1.15 USD.

Original Receivable (in EUR): 10,000 EUR

Original Value (in USD): 10,000 EUR × 1.10 = $11,000 USD

Revalued Value (in USD): 10,000 EUR × 1.15 = $11,500 USD

FX Gain/Loss = Revalued Value - Original Value = $11,500 - $11,000 = $500 USD (Gain)

Journal Entry:

Accounts Receivable (Asset): Debit $500 USD

FX Gain (Income Statement): Credit $500 USD

This example illustrates how the FX revaluation process impacts financial statements by reflecting changes in exchange rates on foreign currency transactions.

**25. What is the Month End Close Activities?**

**Month End Close Activities - GL**

1. Journal Entries – Adjustment, Reclass, Recurring, Reversal, FX, etc.
2. Deferred Revenue – Subscription
3. Prepaid Expense – Rent
4. Accrued Expense – Salary
5. Depreciation
6. Amortization
7. Accounts Reconciliation – BRS, AR, AP, FA, Inventory, Payroll, Intercompany
8. Cash Forecasting
9. Review P&L
10. Close and Open new period

The Record to Report (R2R) process encompasses all activities related to recording financial transactions, reconciling accounts, and preparing financial statements.

Month-end close activities within the Record to Report process are critical for ensuring accurate financial reporting and compliance with regulatory requirements.

Here are specific month-end close activities typically included in the Record to Report cycle:

**Review and Post Journal Entries:**

Record necessary adjustments and accruals to ensure all financial transactions are accurately reflected in the general ledger.

**Subledger Reconciliations:**

Reconcile subledgers (such as accounts receivable, accounts payable, fixed assets) to the general ledger to ensure consistency and accuracy of balances.

**Bank Reconciliation:**

Match bank statements with internal records to identify and resolve any discrepancies, ensuring all transactions are properly accounted for.

**Intercompany Reconciliations:**

Validate and reconcile transactions and balances between different entities or departments within the organization.

**Accruals and Deferrals:**

Adjust accounting entries to recognize expenses or revenues that have been incurred or earned but not yet recorded.

**Fixed Asset Accounting:**

Review additions, disposals, and depreciation of fixed assets, ensuring proper classification and valuation.

**Financial Reporting:**

Prepare financial statements including the balance sheet, income statement, and cash flow statement in accordance with GAAP (Generally Accepted Accounting Principles) or other applicable standards.

**Variance Analysis:**

Analyse significant variances between actual results and budgeted/planned amounts, investigating and explaining the reasons behind the differences.

**Close Checklist Completion:**

Follow a structured closing checklist to ensure all necessary tasks are completed, including validations and approvals.

**Management Reporting:**

Generate management reports and dashboards providing insights into financial performance and key metrics.

**Audit Preparation:**

Compile supporting documentation and schedules needed for internal or external audits.

**Compliance and Controls:**

Ensure adherence to internal controls and compliance with regulatory requirements during the close process.

**Review and Approval:**

Obtain appropriate approvals from management for finalized financial statements and reports.

**Process Improvement:**

Identify opportunities for streamlining processes, improving efficiency, and enhancing the accuracy of financial reporting.

**Month End Close Check List**

| Sl | Task Name | Account Type | Date |
|---|---|---|---|
| 1 | Open New Accounting Period | Period Open | 1 |
| 2 | Book FX Revaluation | Intercompany | 24 |
| 3 | Book Interface Close | Intercompany | 24 |
| 4 | Reconcile Intercompany Payables and Receivables | Intercompany | 24 |
| 5 | Close Intercompany Subledger | Period Close | 24 |
| 6 | Book Purchase Orders, Receipts, Outstanding Commitments | Procurement | 25 |
| 7 | Reconcile General Ledger with Procurement Subledger | Procurement | 25 |
| 8 | Close Procurement Subledger | Period Close | 25 |
| 9 | Check sales orders pending approval | Accounts Receivable | 26 |
| 10 | Confirm customer billing is complete | Accounts Receivable | 26 |
| 11 | Apply cash received from customers | Accounts Receivable | 26 |
| 12 | Accrue for renewal sales orders | Accounts Receivable | 26 |
| 13 | Validate revenue recognition postings | Accounts Receivable | 26 |
| 14 | Generate Revenue Variance Analysis Report | Accounts Receivable | 26 |
| 15 | Reconcile General Ledger with Accounts Receivable SL | Accounts Receivable | 26 |
| 16 | Close Accounts Receivable Subledger | Period Close | 26 |
| 17 | Calculate PO accruals | Accounts Payable | 27 |
| 18 | Calculate Non-PO accruals | Accounts Payable | 27 |
| 19 | Post T&E Expenses | T&E | 27 |
| 20 | Record Corporate Card Expenses | T&E | 27 |
| 21 | Post Accrued Interest payable | Income and Expense | 27 |
| 22 | Reconcile General Ledger with Accounts Payable SL | Accounts Payable | 27 |
| 23 | Close Accounts Payable Subledger | Period Close | 27 |
| 24 | Book Asset entries | Fixed Assets | 28 |
| 25 | Book CIP Capitalization entries | Fixed Assets | 28 |
| 26 | Book Retirement | Fixed Assets | 28 |
| 27 | Book International Transfer | Fixed Assets | 28 |
| 28 | Post Depreciation | Fixed Assets | 28 |
| 29 | Reconcile General Ledger with Fixed Assets SL | Fixed Assets | 28 |
| 30 | Close Fixed Assets Subledger | Period Close | 28 |
| 31 | Post weekly union Payroll | Payroll | 29 |
| 32 | Post fortnightly exempt Payroll | Payroll | 29 |
| 33 | Post Monthly Payroll Accrual | Payroll | 29 |
| 34 | Reconcile General Ledger with Payroll SL | Payroll | 29 |
| 35 | Close Payroll Subledger | Period Close | 29 |
| 36 | Check for Expired/Obsolete goods | Inventory | 29 |
| 37 | Reconcile General Ledger with Inventory SL | Inventory | 29 |
| 38 | Close Inventory Subledger | Period Close | 29 |
| 39 | Process Bank Reconciliation Statements | Bank | 30 |
| 40 | Reconcile General Ledger with Bank SL | Bank | 30 |
| 41 | Close Bank Subledger | Period Close | 30 |
| 42 | Close General Ledger | Period Close | 30 |

**26. What is the Accounting Software used in Record to Report Process?**

1. SAP
2. Net Suite
3. Oracle
4. Quick Books
5. Zoho Books
6. Xero
7. Cargo Wise One
8. Great Plains
9. Sage
10. Black Line

**27. What are the SAP T Codes used in Record to Report Process?**

1. OB52 – GL Books Closure
2. FBL3N – GL Open line items
3. FS10N – GL Account Display
4. FB50 – GL Multiple post
5. FB08 – GL Reverse Document Open item
6. FBRA – GL Reverse Document Clear item
7. FBR2 – GL Recurring Entries
8. F02 – GL Single journal
9. F03 – GL Clear item
10. FB02 – GL Change Document
11. FB03 – GL Display Document

**28. What are the Adjustment Journal Entries?**

**Prepaid Expense**

**When you purchase something**

Debit Prepaid Expense

Credit Cash

**When you incur an expense**

Debit Expense

Credit Prepaid Expense

**Accrued Expense**

Debit Expense

Credit Accrued Expenses

**Accrued Revenues**

Debit Accounts Receivable
Credit Service Revenue

Debit Cash
Credit Accounts Receivable

**Accrued Income**

Debit Accrued Income

Credit Income

**Accrued Interest**

Debit Interest Expense

Credit Accrued Interest

**Inventory**

**When inventory is purchased**

Debit Inventory

Credit Cash

**When goods are sold**

Debit COGS

Credit Inventory

**Security Deposit**

Debit Security Deposit

Credit Cash

**Inter Company**

**Intercompany elimination in consolidation – Parent company books**

Debit Intercompany Payable
Credit Intercompany Receivable

**Accrued Payroll**

**When cash is paid**

Debit Accrued Payroll

Credit Cash

**When reconciling payroll**

Debit Payroll expense

Credit Accrued Payroll

**Depreciation**

Debit Depreciation Expense

Credit Accumulated Depreciation

**Amortization**

Debit Amortization Expense

Credit Accumulated Amortization