Case Study

Management Report review Income and Expenses for the period .



Background: XYZ Ltd., an accounting firm offers accounting, bookkeeping, and financial services to various businesses across the country. I am responsible for one of XYZ's bookkeeping clients in the accommodation business sector. During last week's Preparation of Management Reports , I encountering issue with the following areas, In MR front page 3 Quarter used, Missing P&L YTD statement. Here are some steps you can take to ensure correct report and to address any discrepancies:

Problem: In Management report wrongly mentioned in front page "3 Quarter ended" instead of "Quarter Ended" , missed to add the Profit and loss YTD report, Income in Advance needs to be balanced to the Client Account Creditors, Motor Vehicle Expenses on P&L YTD to be merged, Interest on P&L YTD to be split out as Other Income same as on Quarterly P&L.

- Update front page wording
- Add the Profit and Loss YTD report
- Balance Income in Advance with Client Account Creditors
- Merge Motor Vehicle Expenses
- Classify Interest as Other Income

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Impact:

1.Accuracy of Financial Information: May create confusion about the financial reporting period, missing the YDT report a comprehensive view of the entity's financial performance over the longer term.

2.Financial Analysis and Planning : Not merging these expenses might obscure the true operational costs affected the budget and future financial planning

3.Regulatory and Compliance Risks: Income in Advance is not balanced to the Client account Creditors, this can lead to discrepancies in reporting liabilities

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Solution:

To resolve the issue, the following corrective actions were implemented:

1. **Standard Operating Procedures (SOPs):**
   - Develop and implement SOPs for financial reporting. This includes detailed checklists to ensure all required components and calculations are included correctly before the report is finalized.

2. **Use of Software Tools:**
   - Implement financial reporting software that can automate entries and calculations. Ensure it has the capability to generate YTD reports and categorize income correctly.

3. **Reconciliation Practices**:
   - Implement regular reconciliation practices for key accounts, such as "Income in Advance" and "Client Account Creditors", to catch discrepancies early.
4. **Categorization Guidelines :**

   - Establish clear guidelines for categorizing all forms of income and expenses in financial reports to ensure consistency across different periods (monthly, quarterly, yearly).

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Conclusion:

The identified discrepancies in the management report highlight the need for more rigorous attention to detail and adherence to financial reporting standards. Accurate and clear financial reporting is crucial for informed decision-making and maintaining stakeholder confidence.

Tips for Future Prevention:

1. Standardized Template
2. Comprehensive Checklists
3. Reconciliation Practices
4. Review Procedure

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