

HOW THE ENTERPRISE SYSTEM WORKS

P R E F A C E

This is the reference guide for How IQ Works, for IQ Business & IQ Enterprise software systems.

The document will aid in understanding and configuration of How IQ Works, for it to function correctly.

Although every effort has been made to keep this document up to date, some of the screen examples may not be 100% the same as the ones reflected in previous versions of IQ Enterprise & IQ Business. This is due to the continuous development and improvement of IQ Enterprise & IQ Business.

Unfortunately, there will be a discrepancy from time to time. We do apologize for the inconvenience that it may cause.

Should you feel that the How IQ Works document is inadequate or requires further explanation or more and better examples, please feel free to email us.

We would love to have some feedback to improve the How IQ Works document in some way or another.

Regards,

IQ Retail (Pty) Ltd



CONTENTS

HOW IQ WORKS 6

LOG IN 6

USER NUMBER & PASSWORD 6

SELECT COMPANY 6

HOW TO NAVIGATE? 8

ALT – KEYS 8

MULTI-SCREENS 8

CASCADE 9

TILE 9

ARRANGE ICONS 9

MINIMIZE ALL 9

SWITCH WINDOWS 10

BUTTON VISIBILITY10

EXIT MODULE10

EXIT IQ10

SUPERVISOR OVERRIDES 11

IQ SEARCHING 12

INTRODUCTION12

SCROLL UP / DOWN12

SORT ORDER SEARCHING12

FILTERS12

MASTER FILES VS TRANSACTION FILES 12

ENTER THE FILTER EXPRESSION 13

THE 6 LAWS OF CREATING FILTERS 14

DELETE A SAVED FILTER 21

WILDCARD SEARCHING21

WHAT IS WILDCARD SEARCHING? 21

FUNCTIONALITY 22

BASKET FUNCTIONALITY24

SETUP FOR BASKET FUNCTIONALITY 24

FUNCTIONALITY 24

GENERAL ACCOUNTING TERMS AND CONCEPTS 26

BASIC TERMS AND CONCEPTS26

ACCOUNTING EQUATION26

EXPENSE ACCOUNTS: 27

INCOME ACCOUNTS:	27
ASSET ACCOUNTS:	27
LIABILITY ACCOUNTS:	28
EQUITY ACCOUNT:	28
DEBITS AND CREDITS	28
ASSETS AND LIABILITIES	30
OWNERS' EQUITY	30
INCOME AND EXPENSES	31
GENERAL LEDGER	32
SUBLEDGERS AND THE GENERAL LEDGER	32
SETTING UP THE GENERAL LEDGER	32
GENERAL LEDGER AUDIT TRAIL	32
COMPONENTS OF THE ACCOUNTING SYSTEM	33
IFRS REQUIRES THE PREPARATION OF THREE DIFFERENT STATEMENTS:	33
INCOME STATEMENTS	33
WHAT ARE INCOME STATEMENTS USED FOR?	34
BALANCE SHEETS	35
WHAT IS A BALANCE SHEET USED FOR?	35
STATEMENT OF CASH FLOW	36
WHAT IS A CASH FLOW USED FOR?	36
TWO QUESTION CAN BE ANSWERED:	36
THE ACCOUNTING DATA IS PRESENTED USUALLY IN THREE ACTIVITIES:	37
DEPRECIATION	37
STRAIGHT-LINE DEPRECIATION	37
REDUCING BALANCE DEPRECIATION	37
AMORTIZATION	38
CALCULATING AMORTIZATION	38
INVENTORY ACCOUNTING	38
FIRST IN/FIRST OUT (FIFO)	38
USEFUL ACCOUNTING FORMULAS	38
CURRENT RATIO	39
QUICK RATIO	39
WORKING CAPITAL TO TOTAL ASSETS	39
RECEIVABLES TURNOVER	39
INVENTORY TURNOVER	39
TIMES INTEREST EARNED	39
SALES TO OPERATIONAL ASSETS	39
RETURN ON TOTAL ASSETS	39
RETURN ON EQUITY	39
INVESTMENT TURNOVER	39
FINANCIAL LEVERAGE	40
DOUBLE-ENTRY ACCOUNTING	40
WEIGHTED AVERAGE COST	40
LATEST COST PRICE	40
HIGHEST COST	40
FUTURE COST PRICE	40
BASE COST	40
ARTIFICIAL MANAGEMENT COST	40
CREDITOR	41
BAD DEBT	41

COST OF GOODS SOLD	41
GROSS PROFIT.....	41
GENERAL LEDGER	41
INVENTORY	41
BANK RECONCILIATION.....	41
CASHBOOK POSTINGS.....	41
BREAK-EVEN POINT.....	41
BUDGETS.....	41
CASH CUSTOMER / CASH SALES	42
CHART OF ACCOUNTS (COA).....	42
SELLING PRICE.....	42
ENTRY TYPES	44

HOW IQ WORKS

LOG IN

Each user must have his / her own log in information captured into the Company Setup.

On the terminal, there will be a IQ Retail icon.



Double click on the icon, to open the IQ system.

USER NUMBER & PASSWORD

Each user must use his / her own log in number and password as provided by the system administrator. Type in the number and password and enter.

SELECT COMPANY

Company ID	Company Name
000	IQ RETAIL (PTY) LTD
001	DEMO HEAD OFFICE
002	COMPANY B - RETAIL
003	COMPANY C - DC WAREHOUSE
004	COMPANY D - RETAIL
005	COMPANY E - RETAIL
006	Head Office - Demo
007	testtest
DM1	IQ Retail - Demo Data - July Training
IQR	IQ Retail - Training Example Company

Only the companies that have been linked to the specific user, will be listed on this screen.

Companies are linked to IQ users in the Company Menus and Securities.

Click on the required company and Accept, or double click on the company to work in.

The company will open with the IQ Main menu. On the main menu, at the left bottom of the screen, the user can see who is logged in and which company is currently open on the screen.



HOW TO NAVIGATE?

On the band on top of the screen are the modules listed. Click on the required module, to access it.

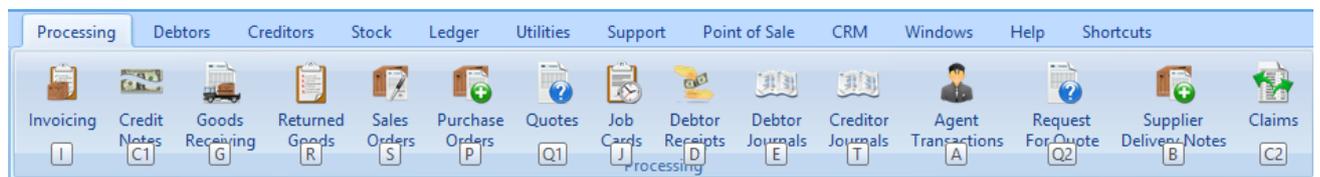
Each module will have its own band with transaction options. Click on the option and the transaction screen will appear.

ALT – KEYS

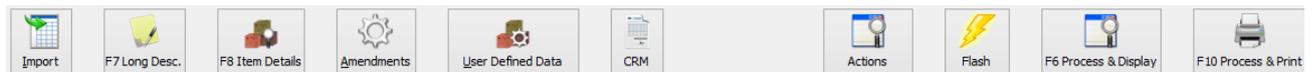
The IQ system can be used without using a mouse. If the user presses the Alt-key on the keyboard, shortcut keys will appear on the main menu to guide the user to the required module.



The user can for example go to the Processing module, by selecting the 'P' on the keyboard. The next set of shortcut keys will appear.



Thus, to go to invoicing, the user will select the 'I' key on the keyboard.



From there on, the shortcut keys on the Keyboard are either numbered as i.e. F6 (function keys) or the shortcut character is underlined, i.e. A Amendments. Thus, can the just type the Alt + 'A' key to go to amendments.

MULTI-SCREENS

In most cases IQ allows the user to open more than one screen at once, for example the user can open the debtor's maintenance screen and the stock enquiries screen. There are however a few times when a sub-screen is open or when working in Point of Sale, where the system won't allow the opening of more than one screen, or the swapping of visible screens.

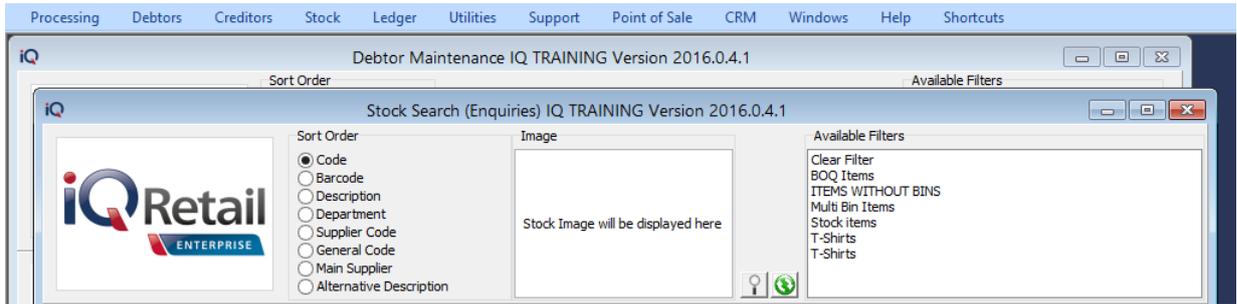


The Windows option on the IQ main menu, allows the user to setup the format of multiple screens. The Switch Windows option allows the user to swap between visible screens, when they are open. The system will also warn the user if the same screen is opened more than once.

There are however a few risks involved in having more than one window open on the screen at once. The more open windows, the slower will the system's reaction time become and the user can get confused and capture the wrong information in the wrong document.

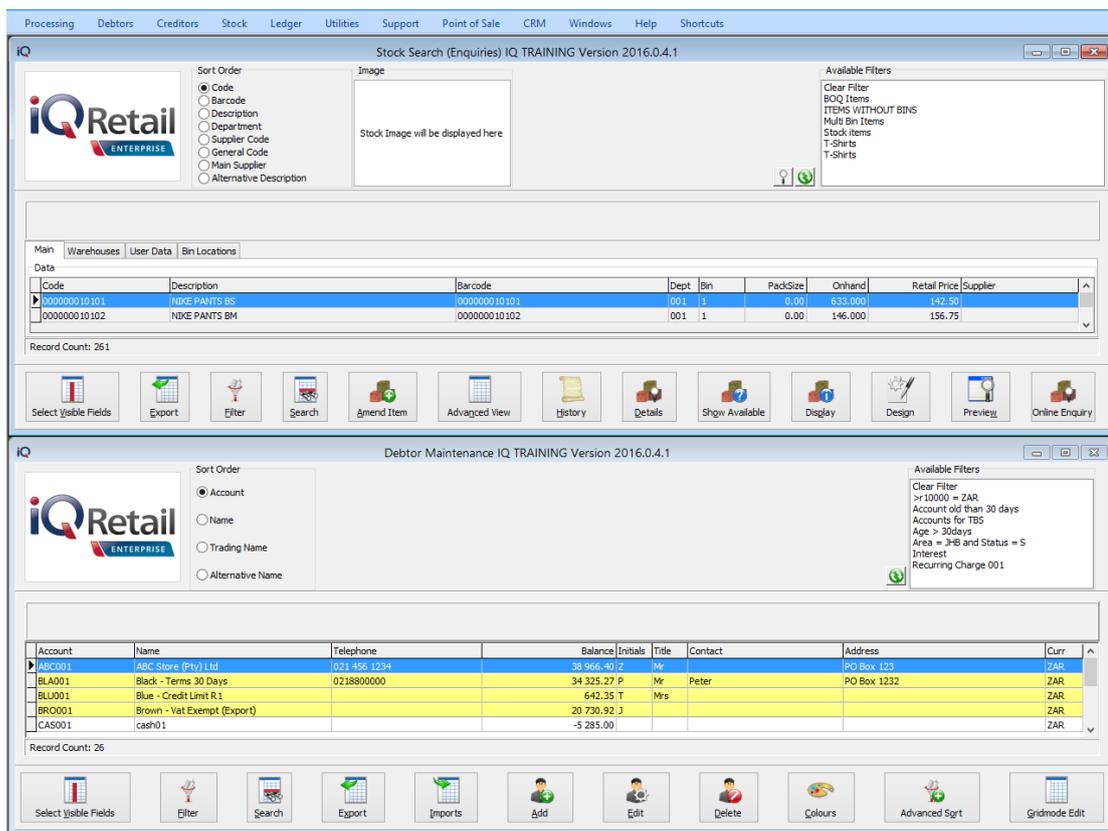
CASCADE

The Cascade option allows the user to see all the screens that are open currently, from the top left corner to the bottom right.



TILE

The Tile option squares up all the open windows in IQ and displays them in row and column order.



ARRANGE ICONS

The Arrange Icons options allows the user to move the open windows in IQ around and order them as needed.

MINIMIZE ALL

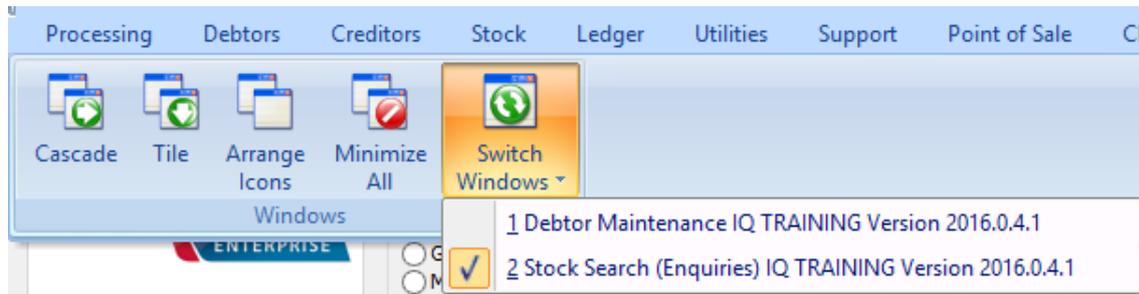
The Minimize All option allows the user to minimize the open windows, to open them again as required. Note that some windows can't be minimized, for example the POS screens.



The user needs to click on the minimized icon to open the window again.

SWITCH WINDOWS

The Switch Windows option allows the user to switch between windows without having to close one first. The open window has a tick in front of the name of the window. Tick the other option to switch to the other window.



BUTTON VISIBILITY



Is sometimes happen that the buttons at the bottom of the screen are not visible, due to the task bar at the bottom of the screen. Click on the minimum/maximum window button at the top right of the screen. This helps the system the fit the IQ screen. If might sometimes be necessary to auto-hide the bottom task bar.

EXIT MODULE

Exit each module or screen either by closing the screen or by clicking on the little X at the top right of the screen. Do however not try to exit the screen by clicking on the red X, as this will close the IQ system.

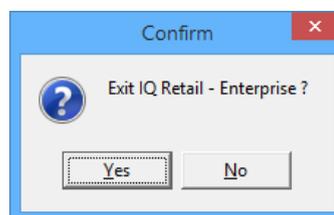


EXIT IQ

Exit the IQ system by clicking on the red X, at the top right of the screen.



The system will prompt the user to ensure if the system should be exited. Select the Yes option to exit the IQ Retail system.



SUPERVISOR OVERRIDES



Override

User Number:

Password:

80101: Trading Date [21/06/2018] differs from System Date [08/08/2018]. Please run End of Day.

iQRetail
ENTERPRISE

Lower level users sometimes don't have access to process an option on the IQ system. The higher-level user with access can process the transaction or option. If the user does need to have access to the option, the administrator should enable the profile on user maintenance.

To enable the administrator to easily find the option to override, the user should provide the override number as it appears on the override screen. On the user maintenance screen or profile maintenance screen, the user can enter the override number and the system will go directly to that option.

IQ SEARCHING

INTRODUCTION

There are a few methods of searching for data in the IQ Enterprise system: Normal scrolling up and down on the listed information until the correct information is found, typing the name or number of the field where the information is required (this depends on the sort order of the information), filtering, searching for specific information using the search button, wildcard searching and predefined search order.

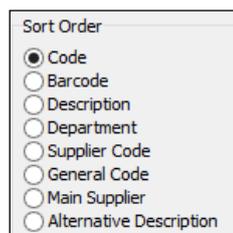
The more information inputted into the search option, the quicker the user will find the required information.

SCROLL UP / DOWN

The Scrolling up and or down on a grid, allows the user to move the visual portions of a window up, down, left or right. In the IQ system, the user can scroll up and down using the vertical scroll and left and right using the horizontal scroll bar. The user can use the up and down buttons on the keyboard or use the wheel on the mouse. The information listed on the grid, always appear in the primary sort order.

SORT ORDER SEARCHING

The sort order for the information on the grid can be changed by selecting the fields to sort by, under the Sort Order options.



Sort Order

- Code
- Barcode
- Description
- Department
- Supplier Code
- General Code
- Main Supplier
- Alternative Description

The user can also select the F9 function key on the keyboard, to change the sort order and click on the  button, refresh the screen.

The user can find precisely a word/phrase by simply typing it. The system will move the cursor to the line that starts with the first character typed in. Then the cursor is moved to the second character and so on. The result will not list the items not starting with the typed character. As soon as the character typed in the search field is not found, the search field will change to red as a warning. To clear the red warning, press the Esc (Escape key) or backspace and start over.

FILTERS

Using filters correctly in IQ Retail's range of software can significantly increase the performance of the software and open new ways in which to achieve reporting objectives. Simply put, a filter is a tool used to ask the system to provide specific data as required. The types of queries for the system are almost limitless in the sense that if the user has a master file (Stock, debtors, etc.) or transaction file (Stock Transactions, Debtors Transactions) data, the user can create a dataset relevant only to the user, by using the "6 Laws of Filters".

MASTER FILES VS TRANSACTION FILES

Before we start these "Laws of Filters", it is important for the user to understand in what areas of the IQ programs certain information will be found. Almost 100% of queries are either Master file or Transaction file related.

- Master files are the files where static and dynamic information about records that are used in transactions is captured and saved. Without master file information, the user can't have a

transaction. An example of such information is the adding of a stock item in the stock file or the adding of a new customer in the Debtors file.

- Transaction files are those files that are updated when a new transaction record is created from your use of systems. An example of such a transaction is an invoice. When an invoice is processed, many files are updated. These include Stock transaction files, Debtors transaction files, General Ledger transaction files and Invoice files to name a few. Point of Sale transactions will also be included under transaction files.

It is important to remember that when a user is filtering data in various parts of the systems, that the differences between these file types are kept in mind. For example, if the user is searching for a specific stock item that was sold on a specific sale, the Transaction file will be used for filtering. Yet if the user wants to search for stock items with specific on-hand levels, a Master file will be used for this filter.

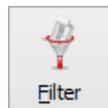
It is quite easy to see the difference between these files in IQ Retail’s range of programs, as we like to keep the user interface consistent within the various modules that the user would typically use.

For Master file information, the Maintenance and Enquiry screens would be used. Examples are Stock → Maintenance, Stock Enquiries, Debtors → Maintenance, Debtors → Enquiries, Ledger → Maintenance or Ledger → Enquiries. These menu options contain Master file data.

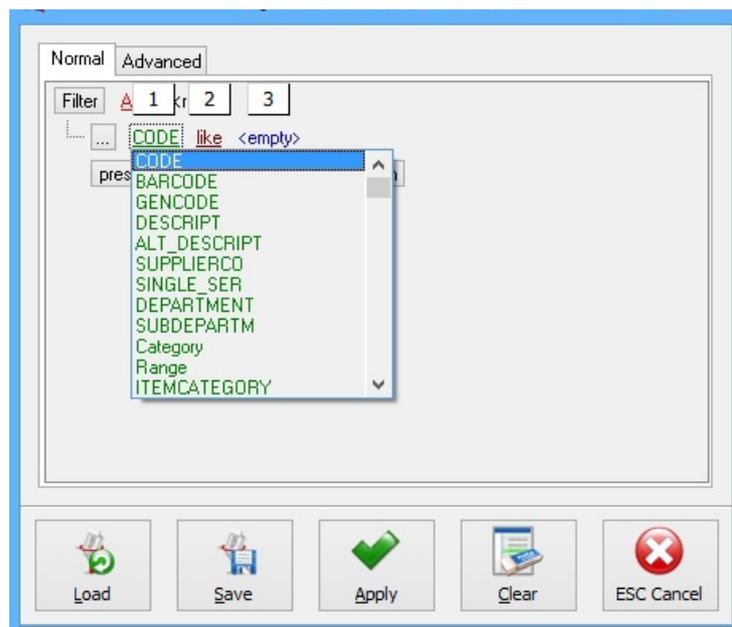
Transaction Files can be found in the areas which will show you actual transactions, these being mainly the Audit Trails. Examples of these are Stock → Reports → Stock Audit Trails, Debtors → Reports → Audit Trails, Ledger → Reports → Audit Tracking. These menu options contain Transaction file data.

ENTER THE FILTER EXPRESSION

We will not mention further differences regarding these types of files for filters within each Law as the structure of the filters remain the same. Only the names of the fields will change, within the respective module for Filter writing.



In all instances when the user selects the filter button, a screen like the following will be displayed:



This screen is divided into sections:

1. Available Fields
2. Logical Operators
3. Defined Filter Expression Area

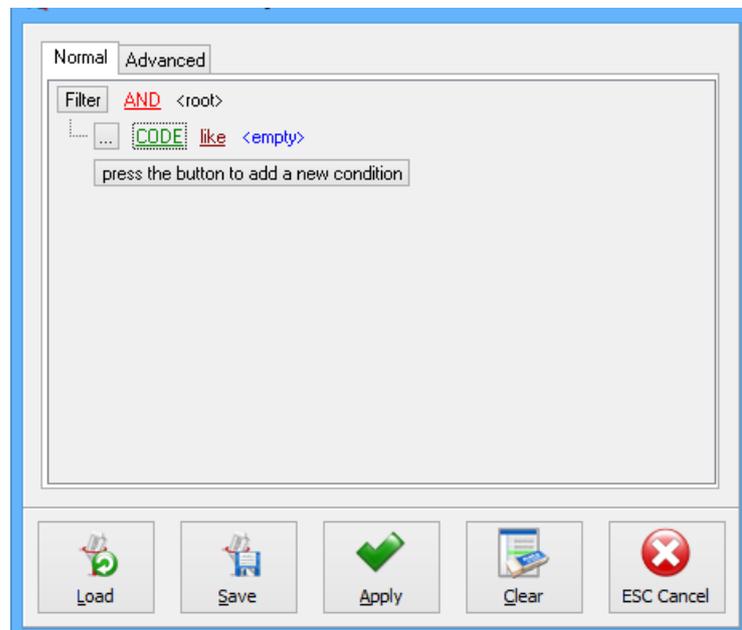
The Defined Filter Expression section, is the area where the entire filter is defined and used by the system's logical engine, to execute the filter and therefore is one of the most critical parts of the filter screen.

THE 6 LAWS OF CREATING FILTERS

The 6 laws of Filters will help to create a dataset that has relevance to the user.

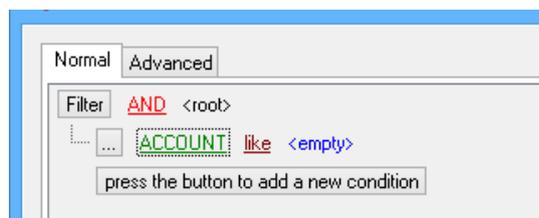
LAW 1: A FILTER MUST START WITH A FIELD

All filters need to have a field in which the user is looking for certain values (text or numerical or date). These fields may only be chosen from the available fields area of the filter screen. They can be chosen by clicking on the existing field (usually displayed in green), a list of available fields will be displayed. Choose the correct field from the list of fields. Before the available field can be selected, click on the "press the button to add a new condition".

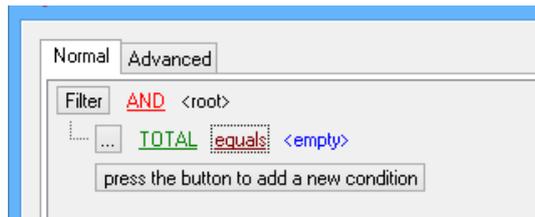
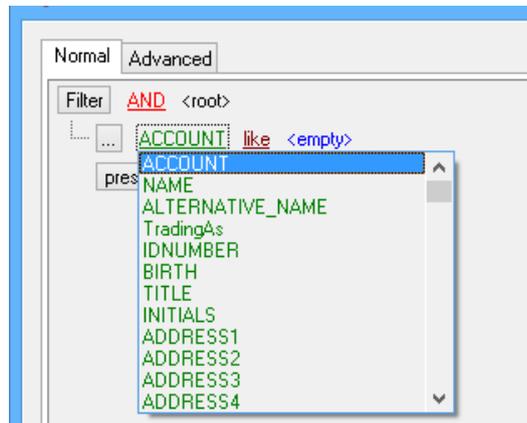


Once the button has been pressed, the field selection will be available.

NOTE: Calculated fields do not appear in the Filter option.

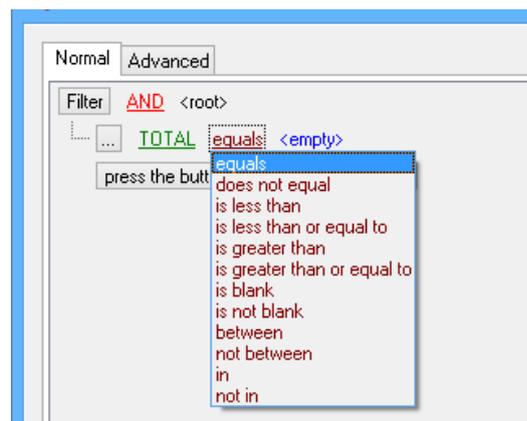


Click on the Green Account field, to choose from the list of fields available.



LAW 2: THE FILTER MUST HAVE A RELATIONAL OPERATOR

All filters must have a relational operator directly after the field the user has chosen. The ‘Relational Operator’ is the mathematical symbol that the user will use to assign a value to the field on which the filter is being run.



LAW 3: THE FILTER MUST HAVE A VALUE AFTER THE ‘RELATIONAL OPERATOR’

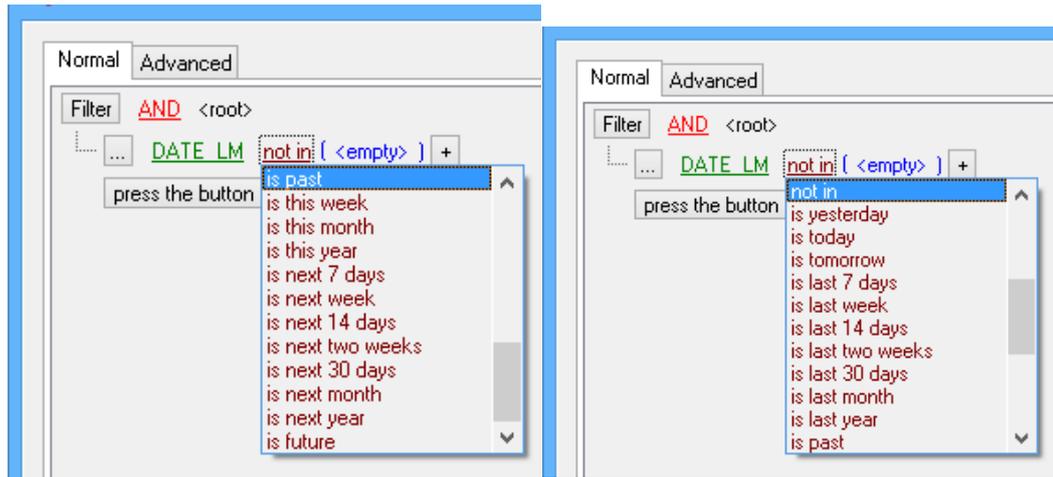
The value that is given after the relational operator, is the value which the user is looking for. This value must be typed into the expression area, as there are no means of finding that value in the filter screen. It is therefore, understood to be a ‘user defined’ value.

NOTE: The filter options are case-sensitive, meaning that if the description was captured as capital letters, the filter option must be entered as capital letters.

The user now has a working filter based on the first 3 laws. This filter can be executed by clicking on the ‘Apply’ button and should run correctly.

When selecting a date field as a value after the relational operator, there are a few additional options that become available. The normal options for a filter are these options in the selection box in the screen as seen on the previous page.

The additional options that appear for date fields are:



Some useful date fields to make use of when applying filters on stock maintenance or enquiries:

DATE_LM

This field records the last transaction done on this stock item. It is updated by ALL stock transaction types, including adjustments and transfers.

DATE_LS

This field records the last INVOICE or CREDIT NOTE transaction done on this stock item.

DATE_LP

This field records the last GRV or RETURN transaction done on this stock item.

DATE_LT

This field records the last TRANSFER-IN or TRANSFER-OUT transaction done on this stock item.

LASTSTOCKTAKE

This field records the last date that this item was counted via either the batch stock take program or the wireless stock take program.

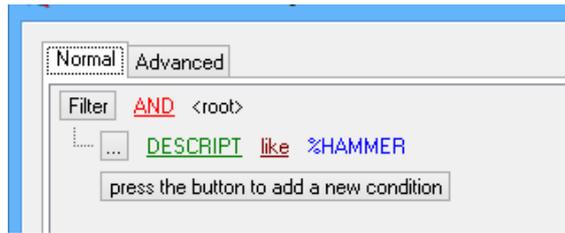
USE OF WILDCARDS

When setting up filters on text fields, the two prevalent functions are LIKE or NOT LIKE.

- Use a wildcard % before and after the required search string and all items containing the search string will be shown.



- Use a wildcard % before the required search string and all items ending in the search string will be shown.

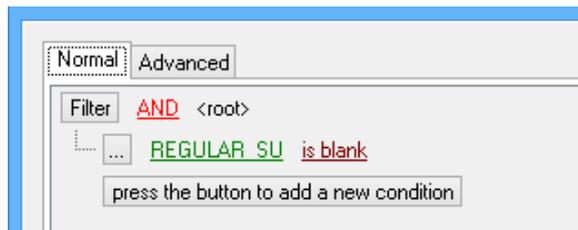


- Use a wildcard % behind (after) the search string and all items starting with the search string will be shown.

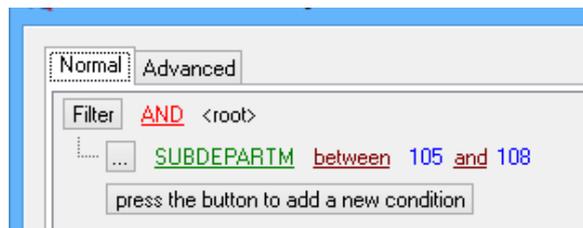


IMPORTANT: Text searches are case sensitive.

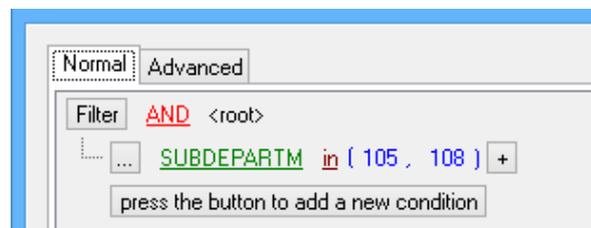
Filters can also show where some fields are missing data.



Filters can be used to select a range of data.



Filters can be used to select data from a specific set, that is not in a continuous range.



For each of these filter types, by using the corresponding NOT function, you will receive the converse set of data as the result.

Examples of filters are:

Account equal ACT001

Total does not equal 0

Total Is less than 1500

Total Is greater than 1500

Total Is greater than or equal to 1500

Account like ACT001

Account like ACT%

Account not like ACT001

Total Is blank

Total Is not blank

Txdate between 06/10/2016 and 10/10/2016

Txdate not between 06/10/2016 and 10/10/2016

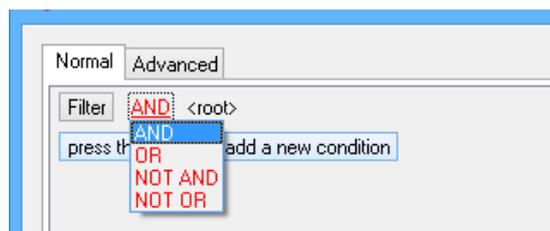
TCode In IN + CN

TCode Not In IN + CN

The laws that follow is somewhat more advanced.

LAW 4: COMPOUND FILTERS ALWAYS NEED A 'LOGICAL OPERATOR'

A 'Compound filter' is a filter that uses multiple fields to arrive at a certain filtered data set. A 'Logical Operator' is the operator that allows the user to join two filters that will then create a single set of filtered data. These operators include: **AND**, **OR**, **NOT AND** and **NOT OR**.



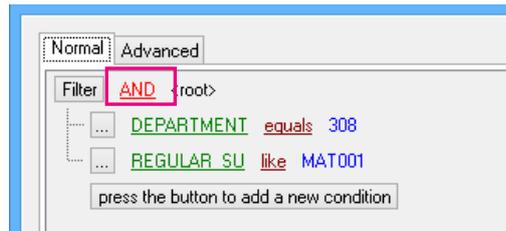
The logical operator is used after the first complete filter is written and is much like using a sentence in any language that allows the user to define multiple criteria for searching. An example of this would be 'drive to the intersection AND turn left. If this sentence is split into filters, the user should drive to the intersection' being the first filter and 'turn left' as the second filter. From this, the user can gauge that a 'filter' is a type of instruction that is given. The two filters are held together by the logical operator 'AND'.

By using **AND** in the filter, you create a filter where each expression must be met before the item is included in the resulting data.

By using **OR** in the filter, then either of the expressions can be true, for the item to be included in the resulting data.

EXAMPLE USING AND

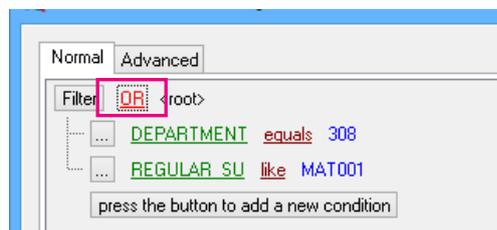
(DEPARTMENT = '308') AND (REGULAR_SU = 'MAT001')



This will return all items that are both in department 308 and have MAT001 as the regular supplier. (Both expressions need to be true.)

EXAMPLE USING OR

(DEPARTMENT = '308') or (REGULAR_SU = 'MAT001')



This will return all items that are either in department 308 or have MAT001 as the regular supplier. (Either of the expressions need to be true.)

LAW 5: AFTER STARTING A COMPOUND FILTER THE PROCESS REVERT TO LAW 1

After a logical operator, has been used to join two filter operations, the user needs to revert to Law 1 and follow the same procedure that created the first part of the filter up until Law 3. It is important to note that when creating a compound filter, the meaning of the operators (AND, OR, NOT) have the same meaning as the word would ordinarily have in the English language.

TXDATE EQUAL 06/10/2016 AND TCODE EQUAL IN

This filter will set about searching for data records that have both criteria in the fields stipulated i.e. the transaction date is 10th June 2016 and the transaction that took place was an invoice. If any records do not meet both these criteria, then the record will not show in the filtered data set. This filter would have been written in the Stock → Reports → Stock Audit Trails.

BALANCE DOES NO EQUAL 0 AND GROUP EQUAL 001

This filter is written in any area that has the debtors master file as a dataset e.g. Debtors → Enquiries, Debtors → Reports → Debtors → Statements or Debtors → Reports → Age Analysis. Once run, this filter will only show debtors with balances that are not equal to zero and belong to the debtors group '1'. If a record doesn't match these criteria, it will not be shown.

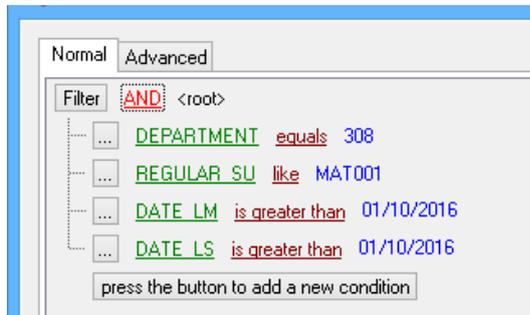
(CODE IN (IN + CN)) AND (ACCOUNT EQUAL ACT001)

This is a compound filter with more than one logical operator. Both the 'AND' and 'OR' operators have been used. This filter is run in Debtors → Reports → Audit Tracking. The filter will display all transactions that are invoice or credit notes where that debtor's account is ACT001. Notice that brackets have been used to group this mathematical function so that the invoice and credit notes section of the filter understand that the records match either an invoice or credit note, but that the value of the account number is 'absolutely' stated as ACT001 for any of these types of transactions.

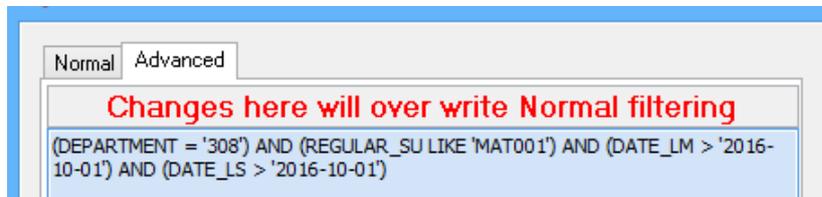
Compound filters are also known as Advanced filters. Advanced filters allow the user to set search criteria for each field, as well as compare fields against each other.

MORE EXAMPLES OF ADVANCED FILTERS

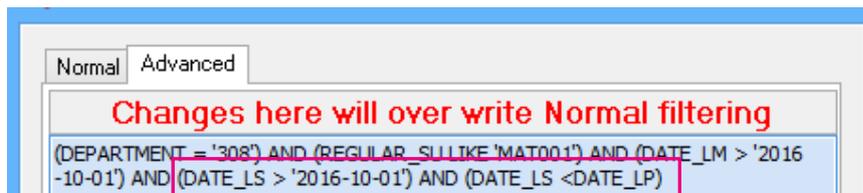
Normal Filter



The same filter in Advanced View



Advanced View to compare two Date Fields



LAW 6: IF YOU MAKE MISTAKES IN A FILTER YOU CANNOT BREAK ANYTHING SO TRY AGAIN

This Law is self-explanatory.

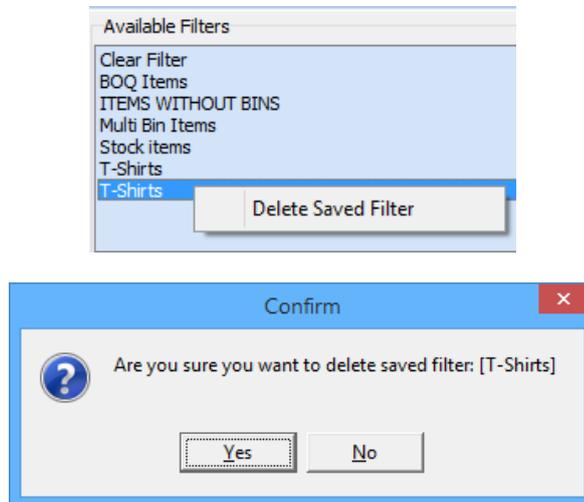
BUTTON FUNCTIONALITY



LOAD	The load batch option allows the user to load any filter that has been saved.
SAVE	The save option allows the user to save any filter. This option is very useful if the user needs to save a filter, that will be re-used on a regular basis. In other words, a template of the transactions is saved, which can be used over and over.
APPLY	Select the Apply option for the filter to take effect.
CLEAR	The Clear selection option will clear the filters.
ESC CANCEL	The Esc / Cancel option allows the user to discard any of the changes or configurations made.

DELETE A SAVED FILTER

Find the filter that needs to be deleted in the Available Filters list at the top right hand corner of the screen. Click on the selected filter and right click on the mouse. Confirm if this is the correct filter to be deleted and click on the “Delete Saved Filter” option. The user is prompted again to ensure the filter can be deleted.



NOTE: Remember that if the filters are setup to centralise in the Company Details → Enterprise Settings and a filter is deleted, the filter will be deleted from all the companies that are centralised.

WILDCARD SEARCHING

WHAT IS WILDCARD SEARCHING?

Wildcard Searching is based on character pattern matching between the characters specified in a query and words in documents that contain those character patterns. Wildcard Searches are used to find several characters (text or numeric values). It is often used to search for specific data, where the full name or word or code is not known.

Wildcard Searching is used for searching for partially known data in text values or numeric values. Wildcard Searching is handy for locating multiple items with similar, but not identical data.

Wildcard Searching in IQ works like the LIKE statement in SQL searches and in filtering.

Wildcard Searching in IQ allows the user to build a refined search for data. For example, the user can search for all the statements where the word “PEN” forms part of the description. The result will provide a list of all the descriptions with the word or part of a word “PEN” in it. Then the user can refine the search by adding the word “Rollerball”. The result would be all the descriptions with the words “Pen” and “Rollerball” in it. Another search can be added to search for all the “Blue Rollerball Pens”. The user can go back on the search and search for all the “Red Rollerball Pens”.

Wildcard Searching allows the user to search for data in different columns on a data grid. The user for example remembers that the item code starts with Pen, and is in department 002 and is sold by supplier 321. Start by searching for all the item codes starting with PEN, then add department 002 and then main supplier 321. This will narrow the search down to a few items, which allows the user to select the correct item.

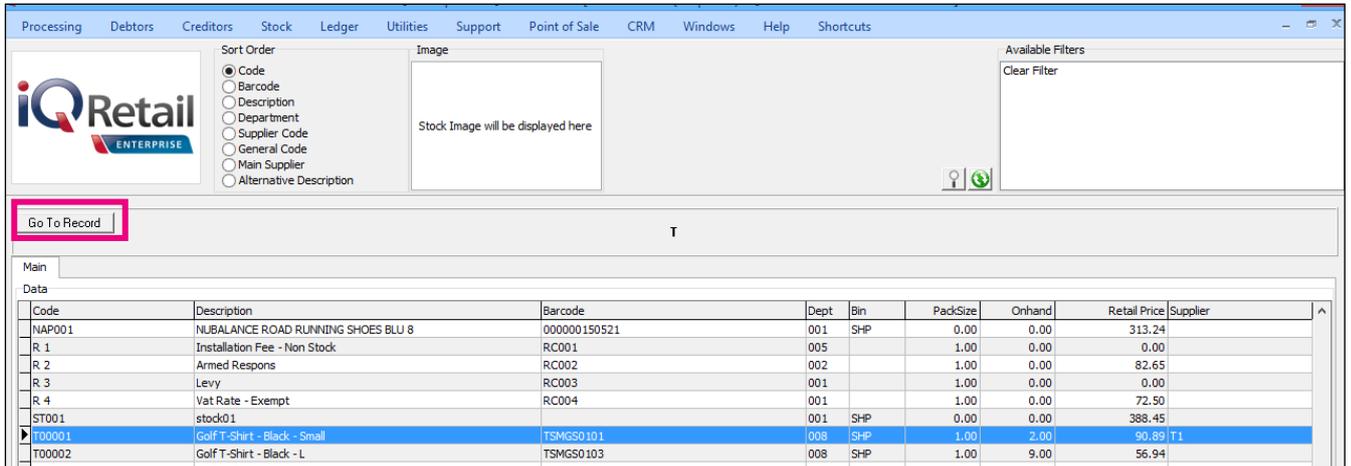
FUNCTIONALITY

EXAMPLE:

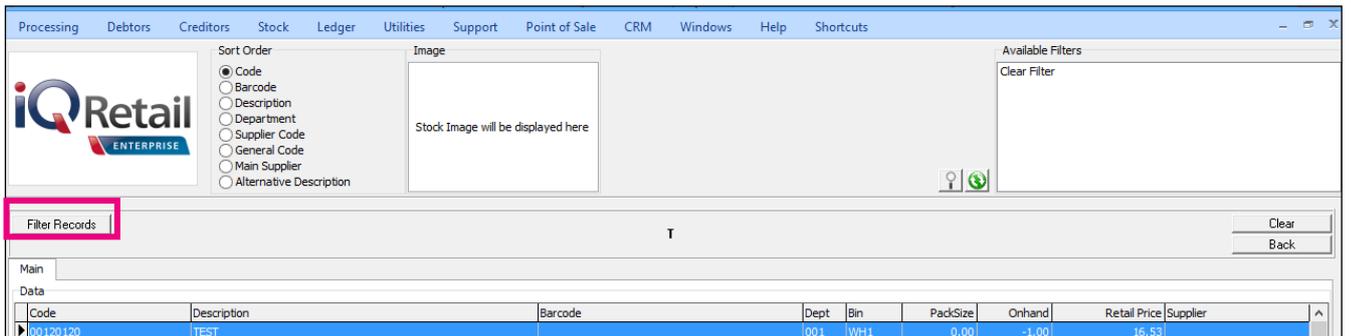
The user is searching for specific stock items: from IQ, main menu → Stock → Enquiries.

Start typing a character to search for: example T.

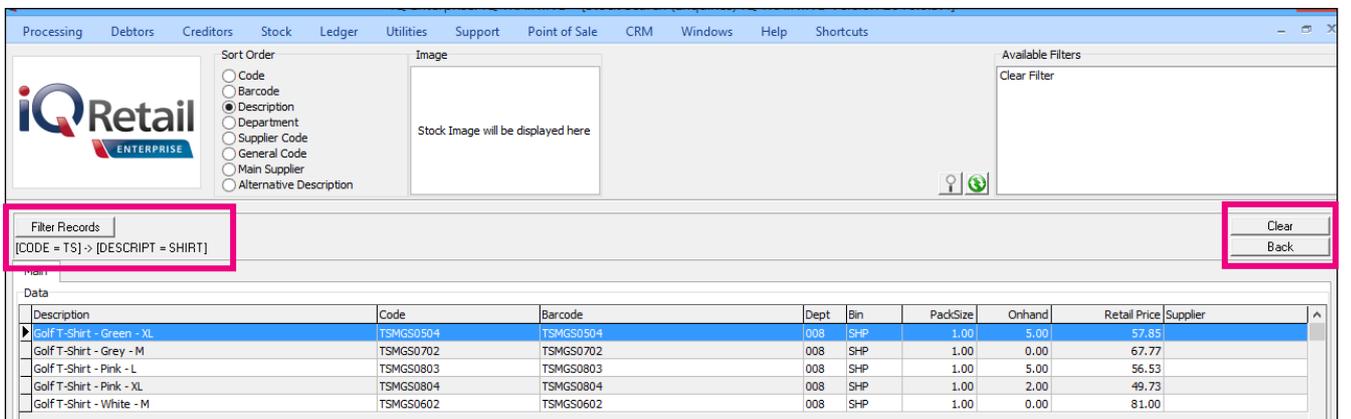
Once a character is entered, the “Go to Record” button appears in the band above the Stock list. This will go to the first item where the item code starts with the selected letter.



If the user wants to use the partial filtering, click on the “Go to Record” button and it will switch automatically to “Filter Record”. Two new buttons “Clear” and “Back” will appear.

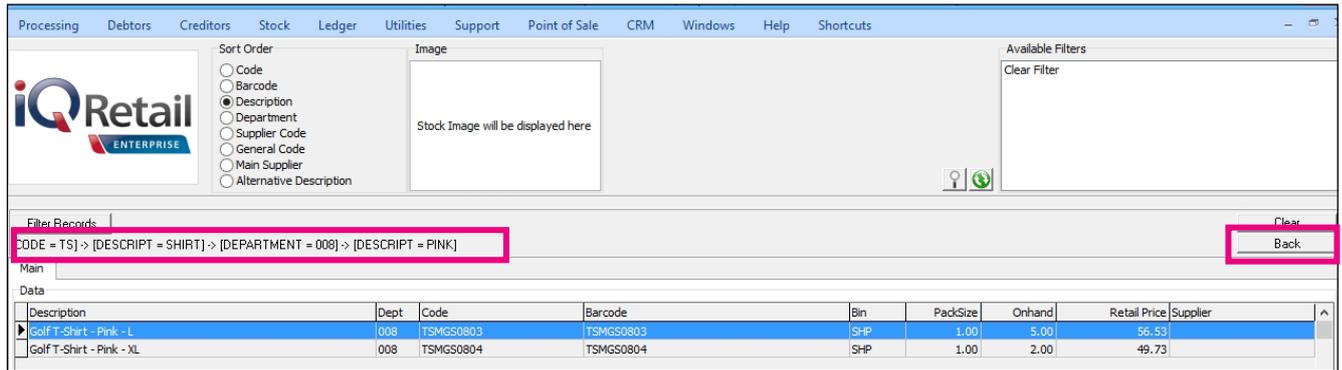


The user can type in the desired characters and when the user press the Enter button on the keyboard, the table list will update with the filter which was inserted.



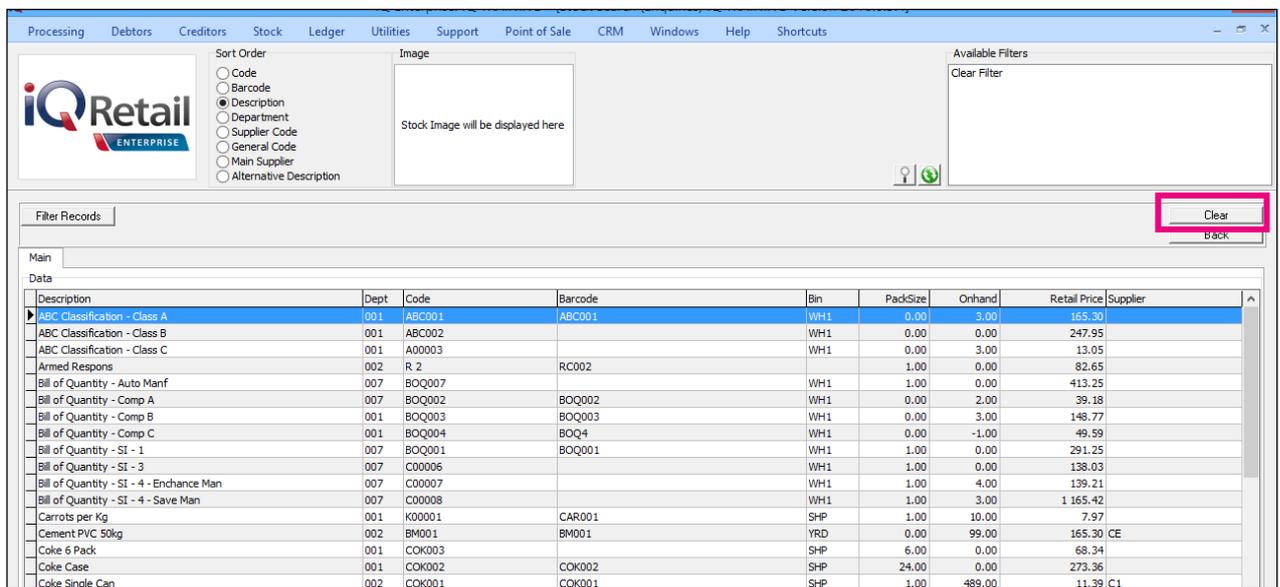
Click on the Sort Order to change the fields where the filter should be applied. For example, sort order = code (will search for all the items with the value “TS” as part of the code. Press the Enter key.

Click then on the Sort Order for Description and enter the next filter option. Press the Enter key. Click the on the Sort Order Department and enter the next filter option, press the Enter key and so forth.



The search pattern is displayed at the top of the grid.

The Back button will see the search pattern and step back one search, to the previous filtered values.



When the “Clear” button is selected, the search pattern used previously is removed and a complete new search or filter option can be entered.

The Wildcard / Partial Search functions is mostly used in the stock modules, but can be used in all the Lookup Dialogs.

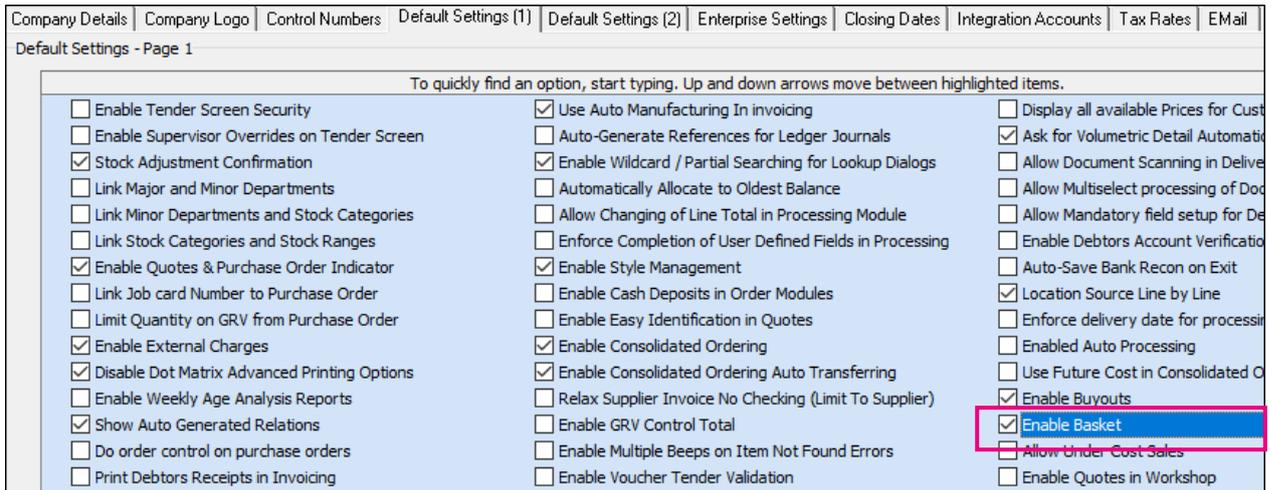
BASKET FUNCTIONALITY

The basket feature has been added to the stock search dialog in the processing modules. This will allow you to pre-populate a list of items while in the stock search dialog and bulk update the underlying processing document.

SETUP FOR BASKET FUNCTIONALITY

You can decide if you want to use this feature in your company. If you want to use it, it must be enabled in Company Details.

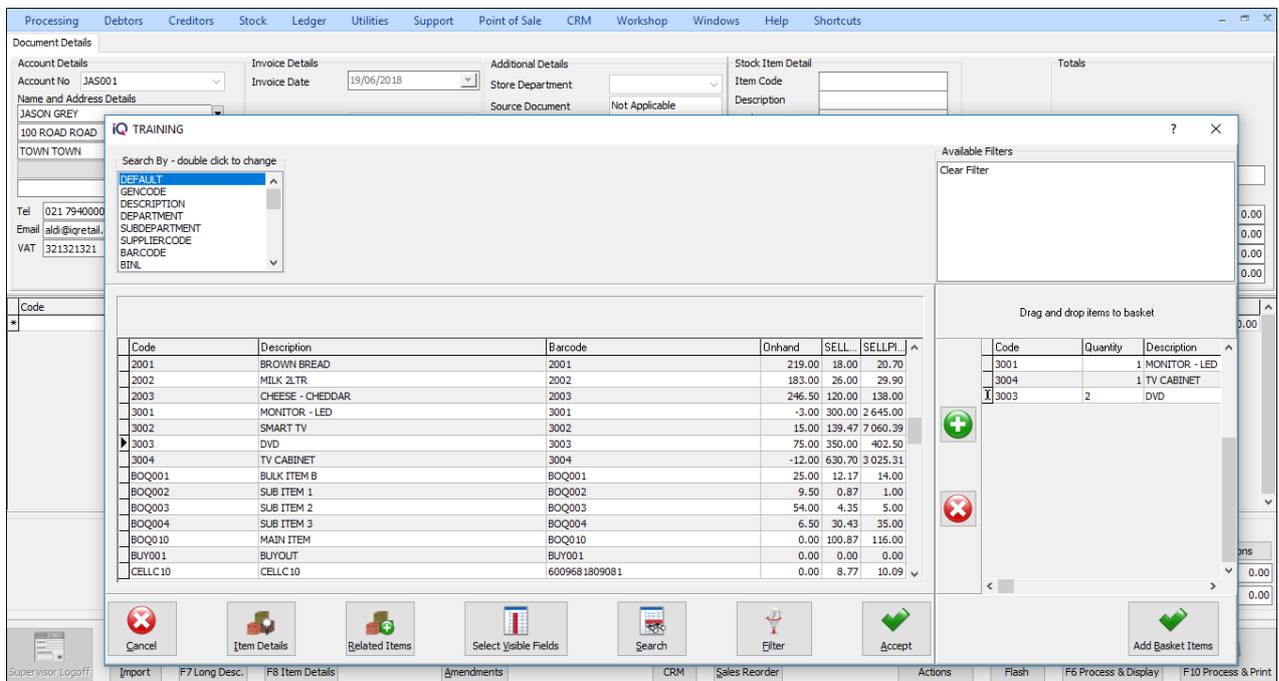
From the IQ main menu → Utilities → Setup → Company Details → Default Settings (1).



Enable the option 'Enable Basket' by ticking the box and click on Accept to save the changes made.

FUNCTIONALITY

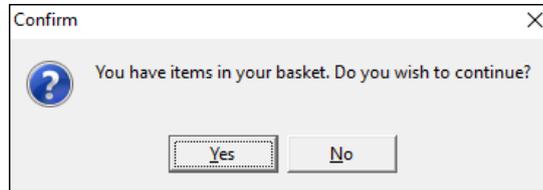
A basket feature has been added to the stock search dialog, in the processing modules.



Select the item from the left column of stock items and drag and drop it in the basket on the right, or select the stock item in the left and click on the  button. The quantity can be changed to the quantity of the selected item taken, or click on the  button at the bottom of the basket screen to add the last selected

item again. If a mistake was made, you can select the wrong item from the basket and click on the  button to remove the item from the basket. The Add Basket Item button adds all the selected items in the basket to the processing document.

If you select any other button on the screen, press Escape on your keyboard or double click on an item on the left, a confirmation message will appear to warn that you have items in your basket, do you wish to continue?



If you select Yes, you will lose all the items that were selected in the basket. If you select No, you can amend the items in the basket, before selecting the Add Basket Items button to populate the items in the processing document.

GENERAL ACCOUNTING TERMS AND CONCEPTS

BASIC TERMS AND CONCEPTS

There are a few (and only a few) things you need to understand to make setting up your accounting system easier. They're basic, and they will probably clear up any confusion you may have had in the past when talking with your CPA or other technical accounting types.

ACCOUNTING EQUATION

Expenses + Assets = Income + Liabilities

OR

Assets = Income – Expenses + Liabilities

Account Types

The account type will influence reporting and how the transaction information is displayed, so it is important that the correct account type selection is made.

It is important to know the differences between the account types, and what each one is used for. The following account types are used in International Financial Reporting Standards (IFRS):

Income

Expense

Asset

Liabilities

Owner's Equity

These account types are used according to IFRS for the calculation of the basic accounting equation:

$$A = SE + L$$

$$\text{Assets} = \text{Shareholders' Equity} + \text{Liabilities}$$

Or alternatively

$$SE = A - L$$

$$\text{Shareholders' Equity} = \text{Assets} - \text{Liabilities}$$

In IQ, each of these account types have been sub-categorized, to allow for more detailed financial reports and audits:

NOTE: The numbers seen below correspond to the numbers of the account types in IQ

EXPENSE ACCOUNTS:

Expense accounts are affected when moneys are paid from the business, other than for the purchase of assets. For example, if the company pays the telephone account or a water and electricity, this will influence one or more relevant expense accounts. The sale of stock items also generates expenses in most cases, but these are more trade related expenses. The expense incurred when selling a stock item, will generally be the cost price of the stock item. The two types of expense accounts are discussed below:

1) EXPENSE

This account type is used to record expenses incurred, other than the Cost of Sales generated. Accounts of this type will generally be expenses regarded as business overhead expenses such as telephone accounts and rent expense.

2) COST OF SALES

This account type is used to record the Cost of Sales i.e. the cost incurred in making the sale/transaction. For example, when a box of matches is purchased for 30 cents, and then resold for 57 cents inclusive of VAT, the 30 cents will be posted to the cost of sales accounts, as this was the cost of the item sold. Accounts of these types are considered "trade" expenses.

INCOME ACCOUNTS:

Income accounts are affected when moneys are received by the business, for example, when stock items are sold, or interest is received from a financial institution. The two types of income accounts are discussed below:

3) SALES

This account type is used to record sales of stock items or services. Accounts of these types will generally be trade income accounts.

4) OTHER INCOME

This account type will be used to record the income generated other than from the sales of stock items or services. Examples of other income accounts are discount received, interest received and rent income.

ASSET ACCOUNTS:

Asset accounts are used to record assets owned by a company. Examples of assets are inventory, vehicles, equipment and buildings. IQ differentiates between four different types of asset accounts:

5) BANK ACCOUNT

Bank accounts are used to record the cash flow in and out of the business bank accounts. Bank accounts can be either in a debit or credit balance, which means that the account can be either an asset or a liability. IQ makes provision for an unlimited amount of accounts of this type, each of which is separately kept and separately reconciled.

Petty cash accounts can also be defined as bank accounts, which make petty cash transactions simple - using the Cashbook Postings interface.

6) FIXED ASSETS

Accounts of this type are generally items of value which will not completely depreciate or be depleted within the current financial year. Examples of fixed assets are furniture, vehicles and buildings.



7) CURRENT ASSETS

Accounts of this type are usually assets which will be sold or otherwise traded within the current financial year. Moneys owed to a business within the current financial year are also examples of current assets. Stock items which are traded throughout the financial year, are regarded as current assets, even though their "shelf life" may be that of a fixed asset.

8) OTHER ASSETS

Any asset which does not belong to the 2 categories specified above.

LIABILITY ACCOUNTS:

Liability accounts are used to record the liabilities or debts payable by a business. There are two types of liability accounts:

9) CURRENT LIABILITY:

Current liability accounts are used to record debts payable by the business within the current financial year. Examples of this account type are short term loans, trade accounts payable, outstanding taxes and other short term debts.

10) LONG TERM LIABILITIES:

These accounts are used to record long term debts payable by a company, for example mortgage loans, vehicle finance accounts etc.

EQUITY ACCOUNT:**11) EQUITY ACCOUNTS:**

Accounts of this type are the owner's interest in the company, or the amount of money that the owner is due from the business.

DEBITS AND CREDITS

These are the backbone of any accounting system. Understand how debits and credits work and you'll understand the whole system. Every accounting entry in the general ledger contains both a debit and a credit. Further, all debits must equal all credits. If they don't, the entry is out of balance. That's not good. Out-of-balance entries throw your balance sheet out of balance.

Therefore, the accounting system must have a mechanism to ensure that all entries balance. Indeed, most automated accounting systems won't let you enter an out-of-balance entry.

Depending on what type of account you are dealing with, a debit or credit will either increase or decrease the account balance. (Here comes the hardest part of accounting for most beginners, so pay attention). The table below will illustrate the entries that increase or decrease each type of account.

DEBITS AND CREDITS VS. ACCOUNT TYPES

Type Account	Increase	Decrease
Asset	Debit	Credit
Liability	Credit	Debit
Equity	Credit	Debit
Revenue	Credit	Debit
Expense	Debit	Credit

Notice that for every increase in one account, there is an opposite (and equal) decrease in another. That's what keeps the entry in balance. Also, notice that debits always go on the left and credits on the right.

EXAMPLE:

In the first stage of the example we'll record a credit sale:

Accounts Receivable	
Debit	Credit
1,000	

Sales Income	
Debit	Credit
	1,000

If you looked at the general ledger right now, you would see that receivables had a balance of R1,000 and income also had a balance of R1,000.

Now we'll record the collection of the receivable:

Cash	
Debit	Credit
1,000	

Accounts Receivable	
Debit	Credit
b/f 1,000	1,000

Notice how both parts of each entry balance? See how in the end, the receivables balance is back to zero?

That's as it should be once the balance is paid.

The net result is the same as if we conducted the whole transaction in cash:

Cash	
Debit	Credit
	1,000

Sales Income	
Debit	Credit
1,000	

Of course, there would probably be a period between the recording of the receivable and its collection.

That's it. Accounting doesn't really get much harder. Everything else is just a variation on the same theme. Make sure you understand debits and credits and how they increase and decrease each type of account.

ASSETS AND LIABILITIES

Balance sheet accounts are the assets and liabilities. When we set up your chart of accounts, there will be separate sections and numbering schemes for the assets and liabilities that make up the balance sheet.

A QUICK REMINDER:

Increase assets with a debit and decrease them with a credit.

Increase liabilities with a credit and decrease them with a debit.

IDENTIFYING ASSETS

Simply stated, assets are those things of value that your company owns. The cash in your bank account is an asset. So is the company car you drive. Assets are the objects, rights and claims owned by and having value for the firm.

Since your company has a right to the future collection of money, accounts receivable is an asset. The machinery on your production floor is also an asset. If your company owns real estate or other tangible property, those are considered assets as well. If you were a bank, the loans you make would be considered assets since they represent a right of future collection.

There may also be intangible assets owned by your company. Patents, the exclusive right to use a trademark, and goodwill from the acquisition of another company are such intangible assets. Their value can be somewhat hazy.

Generally, the value of intangible assets is whatever both parties agree to when the assets are created. In the case of a patent, the value is often linked to its development costs. Goodwill is often the difference between the purchase price of a company and the value of the assets acquired (net of accumulated depreciation).

IDENTIFYING LIABILITIES

Think of liabilities as the opposite of assets. These are the obligations of one company to another. Accounts payable are liabilities, since they represent your company's future duty to pay a vendor. So is the loan you took from your bank. If you were a bank, your customer's deposits would be a liability, since they represent future claims against the bank.

We segregate liabilities into short-term and long-term categories on the balance sheet. This division is nothing more than separating those liabilities scheduled for payment within the next accounting period (usually the next twelve months) from those not to be paid until later. We often separate debt like this. It gives readers a clearer picture of how much the company owes and when.

OWNERS' EQUITY

After the liability section in both the chart of accounts and the balance sheet comes owners' equity. This is the difference between assets and liabilities. Hopefully, it's positive-assets exceed liabilities and we have a positive owners' equity. In this section items like the following be included

- Partners' capital accounts
- Stock
- Retained earnings
- Debits decrease
- Credits increase

NOTE: Owners' equity is increased and decreased just like a liability.



Most automated accounting systems require identification of the retained earnings account.

Retained earnings are the accumulated profits from previous years. At the end of one accounting year, all the income and expense accounts are netted against one another, and a single number (profit or loss for the year) is moved into the retained earnings account. This is what belongs to the company's owners. That's why it's in the owners' equity section. The income and expense accounts go to zero. That's how we're able to begin the new year with a clean slate against which to track income and expense.

The balance sheet, on the other hand, does not get zeroed out at year-end. The balance for each asset, liability, and owners' equity account rolls into the next year. So, the ending balance of one year becomes the opening balance of the next.

Think of the balance sheet as today's snapshot of the assets and liabilities the company has acquired since the first day of business. The income statement, in contrast, is a summation of the income and expenses from the first day of this accounting period (probably from the beginning of this fiscal year).

INCOME AND EXPENSES

Most companies want to keep track of just where they get income and where it goes, and these accounts tell you.

NOTE: For income accounts, use credits to increase them and debits to decrease them.

For expense accounts, use debits to increase them and credits to decrease them.

INCOME ACCOUNTS

If you have several lines of business, you'll probably want to establish an income account for each. In that way, you can identify exactly where your income is coming from. Adding them together yields total revenue. Typical income accounts would be:

Sales revenue from product A

Sales revenue from product B (and so on for each product you want to track)

Interest income

Income from sale of assets

Consulting income

Most companies have only a few income accounts. That's really the way you want it. Too many accounts are a burden for the accounting department and probably don't tell management what it wants to know. Nevertheless, if there's a source of income you want to track, create an account for it in the chart of accounts and use it.

EXPENSE ACCOUNTS

Most companies have a separate account for each type of expense they incur. Your company probably incurs pretty much the same expenses month after month, so once they are established, the expense accounts won't vary much from month to month. Typical expense accounts include

Salaries and wages

Telephone

Water & Electricity

Repairs

Maintenance

Depreciation

Amortization

Interest

Rent

GENERAL LEDGER

The general ledger is the core of your company's financial records. These constitute the central "books" of your system, and every transaction flows through the general ledger. These records remain as a permanent track of the history of all financial transactions since day one of the life of your company.

SUBLEDGERS AND THE GENERAL LEDGER

Your accounting system will have several subsidiary ledgers (called subledgers) for items such as cash, accounts receivable, and accounts payable. All the entries that are entered (called posted) to these subledgers will transact through the general ledger account. For example, when a credit sale posted in the account receivable subledger turns into cash due to a payment, the transaction will be posted to the general ledger and the two (cash and accounts receivable) subledgers as well.

There are times when items will go directly to the general ledger without any subledger posting. These are primarily capital financial transactions that have no operational subledgers. These may include items such as capital contributions, loan proceeds, loan repayments (principal), and proceeds from sale of assets. These items will be linked to your balance sheet but not to your profit and loss statement.

SETTING UP THE GENERAL LEDGER

There are two main issues to understand when setting up the general ledger. One is their linkage to your financial reports, and the other is the establishment of opening balances.

The two primary financial documents of any company are their balance sheet and the profit and loss statement, and both are drawn directly from the company's general ledger. The order of how the numerical balances appear is determined by the chart of accounts, but all entries that are entered will appear. The general ledger accrues the balances that make up the line items on these reports, and the changes are reflected in the profit and loss statement as well.

The opening balances that are established on your general ledgers may not always be zero as you might assume. On the asset side, you will have all tangible assets (the value of all machinery, equipment, and inventory) that is available as well as any cash that has been invested as working capital. On the liability side, you will have any bank (or stockholder) loans that were used, as well as trade credit or lease payments that you may have secured to start the company. You will also increase your stockholder equity in the amount you have invested, but not loaned to, the business.

Ledger account numbers range per groups for each Ledger account type, these number are group together for structure and organisation management, also better known as the Chart of Accounts.

GENERAL LEDGER AUDIT TRAIL

Don't let the word audit scare you in any way. Although, if you are audited for whatever reason, a well-maintained general ledger is essential.

But you will also want an internal trail of transaction so that you can trace any discrepancy (such as double billing or an unrecorded payment) through your own system. You must be able to find the origin of any transaction to verify its accuracy, and the general ledger is where you will do this.



COMPONENTS OF THE ACCOUNTING SYSTEM

Think of the accounting system as a wheel whose hub is the general ledger (G/L). Feeding the hub information are the spokes of the wheel. These include:

- Accounts receivable
- Accounts payable
- Order entry
- Inventory control
- Cost accounting
- Fixed assets accounting

These modules are ledgers themselves. We call them subledgers. Each contains the detailed entries of its specific field, such as accounts receivable. The subledgers summarise the entries, then send the summary up to the general ledger.

For example, each day the receivables subledger records all credit sales and payments received. The transactions net together then go up to the General Ledger to increase or decrease, increase cash and decrease inventory.

We'll always check to be sure that the balance of the subledger exactly equals the account balance for that subledger account in the General Ledger. If it doesn't, then there's a problem.

IFRS REQUIRES THE PREPARATION OF THREE DIFFERENT STATEMENTS:

International Financial Reporting Standards (IFRS) are the standard framework of guidelines for financial accounting used in any given situation; generally known as accounting standards or standard accounting practices.

As the name suggests, this is also a flow statement that details the movement of cash through the organisation over a specified period.

Balance Sheet

Income Statement

Statement of Cash Flow

The whole purpose of accounting is to provide information that is useful and relevant for interested parties when making decisions regarding the company and its operations. To do that effectively, a specific language and subsequent rules have been developed for users of the information. By learning accounting, you learn these rules and can then communicate financial information with others in a comprehensible and comparable manner.

INCOME STATEMENTS

An income statement, otherwise known as a profit and loss statement, is a summary of a company's profit or loss during any one given period, such as a month, three months, or one year. The income statement records all revenues for a business during this given period, as well as the operating expenses for the business.



WHAT ARE INCOME STATEMENTS USED FOR?

You use an income statement to track revenues and expenses so that you can determine the operating performance of your business over a period. Small business owners use these statements to find out what areas of their business are over budget or under budget. Specific items that are causing unexpected expenditures can be pinpointed, such as telephone, advertising, fuel or supply expenses. Income statements can also track dramatic increases in product returns or cost of goods sold as a percentage of sales. They also can be used to determine income tax liability.

It is very important to format an income statement so that it is appropriate to the business being conducted.

Income statements, along with balance sheets, are the most basic elements required by potential lenders, such as banks, investors, and vendors. They will use the financial reporting contained therein to determine credit limits.

- **Sales:** The sales figure represents the amount of revenue generated by the business. The amount recorded here is the total sales, less any product returns or sales discounts.
- **Cost of goods sold:** This number represents the costs directly associated with making or acquiring your products. Costs include materials purchased from outside suppliers used in the manufacture of your product, as well as any internal expenses directly expended in the manufacturing process.
- **Gross profit:** Gross profit is derived by subtracting the cost of goods sold from net sales. It does not include any operating expenses or income taxes.
- **Collateral and promotions:** Collateral fees are expenses incurred in the creation or purchase of printed sales materials used by your sales staff in marketing and selling your product. Promotion fees include any product samples and giveaways used to promote or sell your product.
- **Advertising:** These represent all costs involved in creating and placing print or multi-media advertising.
- **Other sales costs:** These include any other costs associated with selling your product. They may include travel, client meals, sales meetings, equipment rental for presentations, copying, or miscellaneous printing costs.
- **Office salaries:** These are the salaries of full- and part-time office personnel.
- **Rent:** These are the fees incurred to rent or lease office or industrial space.
- **Utilities:** These include costs for heating, air conditioning, electricity, phone equipment rental, and phone usage used about your business.
- **Depreciation:** Depreciation is an annual expense that considers the loss in value of equipment used in your business. Examples of equipment that may be subject to depreciation includes copiers, computers, printers, and fax machines.
- **Other overhead costs:** Expense items that do not fall into other categories or cannot be clearly associated with a product or function are other overhead costs. These types of expenses may include insurance, office supplies, or cleaning services.
- **Total expenses:** This is a tabulation of all expenses incurred in running your business, exclusive of taxes or interest expense on interest income, if any.
- **Net income before taxes:** This number represents the amount of income earned by a business prior to paying income taxes. This figure is arrived at by subtracting total operating expenses from gross profit.
- **Taxes:** This is the amount of income taxes you owe to the federal government and, if applicable, state and local government taxes.



- **Net income:** This is the amount of money the business has earned after paying income taxes.

BALANCE SHEETS

A balance sheet is a snapshot of a business' financial condition at a specific moment in time, usually at the close of an accounting period. A balance sheet comprises assets, liabilities, and owners' or stockholders' equity. Assets and liabilities are divided into short- and long-term obligations including cash accounts such as checking, money market, or government securities. At any given time, assets must equal liabilities plus owners' equity. An asset is anything the business owns that has monetary value. Liabilities are the claims of creditors against the assets of the business.

WHAT IS A BALANCE SHEET USED FOR?

A balance sheet helps a small business owner quickly get a handle on the financial strength and capabilities of the business. Is the business able to expand? Can the business easily handle the normal financial ups and downs of revenues and expenses? Or should the business take immediate steps to strengthen cash reserves?

Balance sheets can identify and analyse trends, particularly in receivables and payables. Is the receivables cycle lengthening? Can receivables be collected more aggressively? Has the business been slowing down payables to anticipate an inevitable cash shortage?

Balance sheets, along with income statements, are the most basic elements in providing financial reporting to potential lenders such as banks, investors, and vendors who are considering how much credit to grant the company.

- **Assets:** Assets are subdivided into current and long-term assets to reflect the ease of liquidating each asset. Cash, for obvious reasons, is considered the most liquid of all assets. Long-term assets, such as real estate or machinery, are less likely to sell overnight or have the capability of being quickly converted into a current asset such as cash.
- **Current assets:** Current assets are any assets that can be easily converted into cash within one calendar year. Examples of current assets would be checking or money market accounts, accounts receivable, and notes receivable that are due within one year's time.
- **Cash:** Money available immediately, such as in checking accounts, is the most liquid of all short-term assets.
- **Accounts receivables:** This is money owed to the business for purchases made by customers, suppliers, and other vendors.
- **Notes receivables:** Notes receivables that are due within one year are current assets. Notes that cannot be collected on within one year should be considered long-term assets.
- **Fixed assets:** Fixed assets include land, buildings, machinery, and vehicles that are used in connection with the business.
- **Land:** Land is considered a fixed asset but, unlike other fixed assets, is not depreciated, because land is considered an asset that never wears out.
- **Buildings:** Buildings are categorized as fixed assets and are depreciated over time.
Office equipment: This includes office equipment such as copiers, fax machines, printers, and computers used in your business.
- **Machinery:** This figure represents machines and equipment used in your plant to produce your product. Examples of machinery might include lathes, conveyor belts, or a printing press.
- **Vehicles:** This would include any vehicles used in your business.
- **Total fixed assets:** This is the total Rand value of all fixed assets in your business, less any accumulated depreciation.
- **Total assets:** This figure represents the total dollar value of both the short-term and long-term assets of your business.



- **Liabilities and owners' equity:** This includes all debts and obligations owed by the business to outside creditors, vendors, or banks that are payable within one year, plus the owners' equity. Often, this side of the balance sheet is simply referred to as "Liabilities."
- **Accounts payable:** This is comprised of all short-term obligations owed by your business to creditors, suppliers, and other vendors. Accounts payable can include supplies and materials acquired on credit.
- **Notes payable:** This represents money owed on a short-term collection cycle of one year or less. It may include bank notes, mortgage obligations, or vehicle payments.
- **Accrued payroll and withholding:** This includes any earned wages or withholdings that are owed to or for employees but have not yet been paid.
- **Total current liabilities:** This is the sum total of all current liabilities owed to creditors that must be paid within a one-year time frame.
- **Long-term liabilities:** These are any debts or obligations owed by the business that are due more than one year out from the current date.
- **Mortgage note payable:** This is the balance of a mortgage that extends out beyond the current year. For example, you may have paid off three years of a fifteen-year mortgage note, of which the remaining eleven years, not counting the current year, are considered long-term.
- **Owners' equity:** Sometimes this is referred to as stockholders' equity. Owners' equity is made up of the initial investment in the business as well as any retained earnings that are reinvested in the business.
- **Stock:** This is stock issued as part of the initial or later-stage investment in the business.
- **Retained earnings:** These are earnings reinvested in the business after the deduction of any distributions to shareholders, such as dividend payments.
- **Total liabilities and owners' equity:** This comprises all debts and monies that are owed to outside creditors, vendors, or banks and the remaining monies that are owed to shareholders, including retained earnings reinvested in the business.

STATEMENT OF CASH FLOW

As the name suggests, this is also a flow statement that details the movement of cash through the organisation over a specified period.

The purpose of accounting is to provide information that is useful and relevant when making decisions regarding the company and its operations.

WHAT IS A CASH FLOW USED FOR?

In financial accounting, a cash flow statement, is a financial statement that shows how changes in the balance sheet accounts and in the income statement affect cash and cash equivalents, and breaks the analysis down into three activities.

TWO QUESTION CAN BE ANSWERED:

- Where the money came (will come) from?
- Where it went (will go)?

Cash flow statements assess the amount, timing, and predictability of cash-inflows and cash-outflows, and are used as the basis for budgeting and business-planning.

THE ACCOUNTING DATA IS PRESENTED USUALLY IN THREE ACTIVITIES:

- Operating-activities (sales of goods or services),
- Investing-activities (sale or purchase of an asset, for example), and
- Financing-activities (borrowings, or sale of common stock, for example).

Together, these sections show the overall (net) change in the firm's cash-flow for the period the statement is prepared.

DEPRECIATION

The concept of depreciation is simple. For example, let's say you purchase a vehicle for your business. The vehicle loses value the minute you drive it out of the dealership. The vehicle is considered an operational asset in running your business. Each year that you own the vehicle, it loses some value, until the vehicle finally stops running and has no value to the business. Measuring the loss in value of an asset is known as depreciation.

Depreciation is considered an expense and is listed in an income statement under expenses. In addition to vehicles that may be used in your business, you can depreciate office furniture, office equipment, any buildings you own, and machinery you use to manufacture products.

Land is not considered an expense, nor can it be depreciated. Land does not wear out like vehicles or equipment.

To find the annual depreciation cost for your assets, you need to know the initial cost of the assets. You also need to determine how many years you think the assets will retain some value for your business. In the case of the vehicle, it may only have a useful life of ten years before it wears out and loses all value.

STRAIGHT-LINE DEPRECIATION

Straight-line depreciation is the most common method of depreciating assets. To compute the amount of annual depreciation expense using the straight-line method requires two numbers: the initial cost of the asset and its estimated useful life. For example, you purchase a vehicle for 20,000 and expect it to have use in your business for ten years. Using the straight-line method for determining depreciation, you would divide the initial cost of the truck by its useful life.

The 20,000 becomes a depreciation expense that is reported on your income statement under operation expenses at the end of each year.

For tax purposes, some accountants prefer to use other methods of accelerating depreciation to record larger amounts of depreciation in the early years of the asset to reduce tax bills as soon as possible.

REDUCING BALANCE DEPRECIATION

Reducing Balance Depreciation is calculated by charging a higher rate in the early part of the assets life. This method is considered for any asset that has a high usage in the early part of their life.

An example of how this is calculated is show below. The amount of depreciation reduces as the life of the asset progresses.

EXAMPLE

An asset has a useful life of 3 years

Cost of the asset was R4,000

Residual or Scrap Value is R300

Rate of depreciation is 50%

When using the reducing balance method, the depreciation for the last year of the asset's useful life is the difference between net book value at the start of the period and the estimated residual value. This is to ensure that depreciation is fully charged.



AMORTIZATION

During doing business, you will likely acquire what are known as intangible assets. These assets can contribute to the revenue growth of your business and, as such, they can be expensed against these future revenues. An example of an intangible asset is when you buy a patent for an invention.

CALCULATING AMORTIZATION

The formula for calculating the amortization on an intangible asset is like the one used for calculating straight-line depreciation. You divide the initial cost of the intangible asset by the estimated useful life of the intangible asset. For example, if it costs 10,000 to acquire a patent and it has an estimated useful life of ten years, the amortized amount per year equals 1,000. The amount of amortization accumulated since the asset was acquired appears on the balance sheet as a deduction under the amortized asset.

FORMULA:

Initial Cost / Useful Life = Amortization per Year

10,000 / 10 = 1,000 per Year

INVENTORY ACCOUNTING

Inventory accounting may sound like a huge undertaking but it is quite straightforward and easy to understand. You start with the inventory you have on hand. No matter when you sell product, the value of your inventory will remain constant based on accepted and rational methods of inventory accounting. Those methods include weighted average, first in/first out, and last in/first out.

FIRST IN/FIRST OUT (FIFO)

First in, first out means exactly what it says. The first apple you bring into inventory will be the first ones sold as product. First in, first out, or FIFO as it is commonly referred to, is based on the principle that most businesses tend to sell the first goods that come into inventory.

Suppose you buy five apples at 10 each on January 3 and purchase another five apples at 20 each on January 7. You then sell five apples on January 30. Using first in, first out, the five apples you purchased at 10 would be sold first. This would leave you with the five apples that you purchased at 20, which would leave the value of your inventory at 100.

USEFUL ACCOUNTING FORMULAS

Accounting formulas, also known as financial ratios, express relationships among the amounts reported in the financial statements. These accounting formulas, or financial ratios, can offer insights into the economic health of a business. The ratios can also indicate the reasonableness of the assumptions implicit in any business plan forecasts. For example, by comparing the ratios of your business with the ratios of similar businesses, you can compare the financial characteristics of your business with those of other businesses. By comparing the ratios in your pro forma model with industry averages and standards, you also test your modelling assumptions for reasonableness.

Two general categories of accounting formulas, or financial ratios, exist: common size ratios and intrastatement or interstatement ratios. Common size ratios convert a financial statement usually a balance sheet or an income statement from rands to percentages. Common size ratios allow for comparisons of the assets, liabilities, revenues, owner equity, and expenses of businesses of various sizes. The comparison can be either at a point in time or as a trend over time.

Intrastatement or interstatement ratios quantify relationships among amounts from different financial statements or from different parts of the same financial statement. Intrastatement and interstatement ratios are an attempt to account for the fact that amounts usually cannot be interpreted alone, but must be viewed in the context of other key financial factors and events.



CURRENT RATIO

The Current Ratio figures show the ratio of current assets to current liabilities. The current ratio provides one measure of a business's ability to meet its short-term obligations.

QUICK RATIO

The Quick Ratio figures show the ratio of the sum of the cash and equivalents plus the accounts receivable to the current liabilities. The quick ratio provides a more stringent measure of a business's ability to meet its short-term financial obligations than other ratios.

WORKING CAPITAL TO TOTAL ASSETS

The Working Capital to Total Assets figures show the ratio of working capital (the current assets minus the current liabilities) to the total assets. The Working Capital to Total Assets ratio is another measure of a firm's ability to meet its financial obligations and gives an indication as to the distribution of a business' assets into liquid and nonliquid resources.

RECEIVABLES TURNOVER

The Receivables Turnover figures show the ratio of sales to the accounts receivable balance. The Receivables Turnover ratio indicates the efficiency of sales collections. One problem with the measure as it's usually applied is that both credit and cash sales might be included in the ratio denominator. Two potential shortcomings exist with this approach. First, the presence of the cash sales might make the receivables collections appear more efficient than is the case. Also, mere changes in the mix of credit and cash sales might affect the ratio, even though the efficiency of the receivables collections process has not changed.

INVENTORY TURNOVER

The Inventory Turnover row shows the ratio of the cost of sales to the inventory balance. The Inventory Turnover ratio calculates how long inventory is held. It can indicate depleted or excessive inventory balances.

TIMES INTEREST EARNED

The Times Interest Earned row shows the ratio of the sum of the net income after taxes plus the interest income to the interest expense. The ratio indicates the relative ease with which the business is paying its financing costs.

SALES TO OPERATIONAL ASSETS

The Sales to Operational Assets row shows the ratio of sales revenue to net plant, property, and equipment. The ratio indicates the efficiency with which a business uses its operational assets to generate sales revenue.

RETURN ON TOTAL ASSETS

The Return on Total Assets row shows the ratio of the sum of the net income after taxes plus the interest expense to the total assets for each period. The ratio indicates the overall operating profitability of the business, expressed as a rate of return on the business assets.

RETURN ON EQUITY

The Return on Equity row shows the ratio of the net income after taxes to the owner equity for each period. The ratio indicates the profitability of the business as an investment of the owners.

INVESTMENT TURNOVER

The Investment Turnover row shows the ratio of the sales revenue to the total assets. The ratio, like the Sales to Operational Assets ratio, indicates the efficiency with which a business uses its assets (for example, its total assets) to generate sales.

FINANCIAL LEVERAGE

The Financial Leverage shows the difference between the return on the owner equity and the return on the total assets. The ratio indicates the increase or decrease in an equity return because of borrowing. A positive value indicates an improvement in the return on owner equity by using financial leverage; a negative value indicates deterioration in the return on owner equity.

DOUBLE-ENTRY ACCOUNTING

A method of accounting for a company's transactions through entries having equal totals of debit and credit entries while maintaining the basic accounting equation.

WEIGHTED AVERAGE COST

Weighted average measures the total cost of items in inventory that are available for sale divided by the total number of units available for sale. Typically, this average is computed at the end of an accounting period.

Suppose you purchase five apples at 10 apiece and five apples at 20 each. You sell five units of product. The weighted average method is calculated as follows:

Total Cost of Goods for Sale at Cost (divided) Total Number of Units Available for Sale = Weighted Average Cost per apple

Five apples at 10 each = 50 Five apples at 20 each = 100 Total number of apples = 10 Weighted Average = 150 / 10 = 15 15 is the average cost of the 10 apples

LATEST COST PRICE

The latest cost price is the last purchase price for a stock items that was agreed upon by the Retailer and his supplier on the supplier invoice (GRV).

HIGHEST COST

The highest cost price is the highest purchase price paid for a stock items on the supplier invoice (GRV).

FUTURE COST PRICE

The Future Cost Price is the next purchase price for a stock items that was agreed upon by the Retailer and his supplier. The user / retailer can create a Future Cost Price, where these costs will be used for GRV / Purchase Orders as the default prices for transaction in the future.

BASE COST

Base Cost is the Cost price of a stock item without any External or Extra Charges.

ARTIFICIAL MANAGEMENT COST

IQ Artificial Cost Management module will assist with an artificially inflated cost that allows management to set cost + percentage. This option will display as a view option only. Once the percentage has been entered the Manager Cost will display as a Rand Value. This was created to allow IQ users to view only this cost instead of actual average cost.

FOR EXAMPLE: If the Artificial Cost percentage is 25 % a stock item with an average cost (unit cost) of R10 the manager cost will be R12.50 or R95 average cost will display as R118.75.

NOTE: IQ Artificial Management Cost will be available in the following modules: Stock Maintenance, Stock Enquires, Stock Sell Price (% Markup on Cost) and Good Receiving.

A debtor is a person owing money to the business, for example a customer that needs goods delivered.



CREDITOR

A creditor is a person to whom the business owes money, for example a supplier or utility organisation.

BAD DEBT

All reasonable means to collect a debt have been tried and have failed so the amount owed is written off as a loss and becomes categorized as an expense on an income statement. This results in net income being reduced.

COST OF GOODS SOLD

This is the purchase cost of the stock that was subsequently sold to customers.

GROSS PROFIT

Refers to what is left after you subtract the cost of goods sold from the sales. It is also called gross margin. For example, if a company buys in a stock item for R50 and sells it for R75 (excluding), then the gross profit will be R25.

GENERAL LEDGER

Where all the company's accounts are summarised. The General Ledger is the grandfather of the bookkeeping system. The effects of a company's transactions are summarised in its general ledger through the posting of journal entries. Posting refers to the transfer of originally recorded debit and credit entries to the proper general ledger.

INVENTORY

The account that tracks all stock items that will be sold to customers.

BANK RECONCILIATION

The process of reconciling what the company reports as cash on their general ledger and what is reported in the bank's records.

CASHBOOK POSTINGS

A cashbook is a financial journal that contains all cash receipts and payments, including bank deposits and withdrawals. A cashbook is regularly reconciled with the bank statements as an internal auditing measure.

Each month, the bank sends a bank statement, which lists the beginning and ending account balance and transactions that took place throughout the month.

When the cashbook is reconciled, the transactions are compared between the cashbook and the bank statement. Proper adjustments are made to ensure that both accounts report the same amount of cash. Reconciling the bank statement and cashbook allows the user to know how much cash the business has available.

BREAK-EVEN POINT

The break-even point is simply the volume of sales at which the amount of sales revenues equals the amount of total expenses for a period.

BUDGETS

Financial projections that help a business plan. Businesses may have a variety of budgets. Capital budgets plan for the acquisition and financing of long-term assets such as property, plant and equipment. Operational budgets plan for prospective sales, production, expenses, cash flows and financial statement results.

Budgets are an important tool in the effective operation of an organisation. Budgets benefit companies by encouraging communication and the setting of goals. They also help in the early identification of problems.

CASH CUSTOMER / CASH SALES

A customer that pays in cash at the time a sale is made. A customer that uses a third-party credit card at the point of sale is also considered a cash customer. Sales of goods or services to customers for which the sales price is paid in cash at the time of sale.

CHART OF ACCOUNTS (COA)

A chart of accounts is a created list of the accounts used by a business to define each type of items for which money is spent or received. It is used to organise the finances of the business and to separate expenditures, revenue, assets and liabilities to give interested parties a better understanding of the financial health of the business.

SELLING PRICE

The selling price is the final amount of money that a business and customer have agreed upon when a stock item sells. The selling price can include or exclude the Vat percentage.

COST PRICE

In retail systems, the cost price represents the specific value that represents the stock item purchased. This value is used as a key factor in determining profitability, and in some business, it is used in establishing the value of stock holding. Normally the Cost Price excludes the Vat Percentage.

MARK UP

The practice of adding a constant percentage to the cost price of a stock item to arrive at its selling price. In other words, it is the amount added to the cost price of stock items to cover overheads and profit.

PROFIT

Profit is a financial gain, the difference between the amount earned and the amount spent in buying, operating, or producing a stock item.

Profitability is the ability of a business to earn a profit.

GROSS PROFIT

In accounting, gross profit is the difference between revenue and the cost of making a product or providing a service, before deducting overhead, payroll, taxation, and interest payments.

NETT PROFIT

Nett Profit simply means revenue that remains after expenses.

RECURRING CHARGES

Recurring charges are those items or charges or services charged weekly, monthly or yearly to specific debtors. Examples of recurring charges are rentals, subscriptions, security services, gardening services, levies, etc. In other words, recurring charges are where a company has the same periodical charges (usually services) that need to be charged to debtors or customers. For people who pay by Debit Order, the customer can put those charges on the monthly Recurring Charges schedule and set it to Auto Generate Payments for the charges.

CONVERSION RATE

FOREIGN CURRENCIES

The conversion rate allows one to specify the currencies conversion rate. This means that the current rate of exchange of the specific currency is entered here so that the system can make the calculations accordingly.

CASCADING STOCK ITEMS

To determine conversion rate to use when using cascading items, is calculated as follows: The item with the biggest pack size castle case – 24 divide that by the item with the smallest pack size castle single – 1 the result must be 24.

ROUNDING UP / DOWN

Rounding is when you “round down” by reducing the digits in a numerical value. In accounting, rounding is when you reduce the number of decimal places that are important in a number and in turn “round” the number to the nearest value either up or down for example a Selling Price.

Rounding is sometimes necessary to “change” a figure to become a more suitable value.

For example, in South Africa we are currently not using 1c, 2c and 5c coins thus the necessity for round the Cash Sale down to the nearest 10c e.g. R15.57 to R15.50 or R10.03 to R10.00.



ENTRY TYPES

SP	Stock Purchase
SI	Stock Invoice
JD	Debtors Journal
JC	Creditors Journal
AJ	Stock Take Fix
AQ	Stock Adjustment - Quantity Adjustment
AC	Stock Adjustment - Cost adjustment
ST	Stock Adjustment – Stock Take
SI	Stock Job (When Doing Document Generation with Job Options Turned On)
LC	Ledger Cashbook
LJ	Ledger Journal
SC	Stock Credit
DR	Debtors Receipts
CR	Creditors Receipts
SR	Stock Return
WO	Write Off
PU	GRV – Supplier Purchase
IN	Invoice – Debtors or Creditors
CN	Credit Note
RT	Return to Supplier
TO	Stock Transfer Out
TI	Stock Transfer In
BM	Bill of Quantity - Manufacture
BD	Bill of Quantity – Disassemble
IC	Sundry Issues & Receipts
DS	Discount
PM	Payment
RF	Refund
IT	Interest Charge

- End of Document -

