



BERACA
ACCOUNTANTS & AUDITORS INC.

CORE
ASSOCIATED | GEASSOSIEERD

the future - now

CRITICAL INTERPRETATION OF FINANCIAL STATEMENTS

PURPOSE OF FINANCIAL STATEMENTS

- Financial performance (Statement of comprehensive income / Income statement)
- Financial position (Statement of financial position / Balance sheet)
- Cashflow (Operations, investment and financing)
- Accounting policy
- Notes
- Audit report

USERS OF FINANCIAL STATEMENTS

- Governing body
- Parents
- South African Revenue Services
- Government (Department of Education and Labour)
- Banking institutions
- Creditors and finance house

RESPONSIBILITY OF FINANCIAL STATEMENTS

- Governing body
- School management
- Accountant
- Auditor

UNDERLYING PRINCIPLES

- Consistent application of accounting policy
- Comparability
- Reliability and completeness
- Relevance
- Understandability
- Accrual basis
- Going concern

STATUTORY REPORTING REQUIREMENTS

- Requirement for an audit in terms of Section 43, School's Act
- When an accounting officer report is allowed
- Types of audit reports
 - Unqualified
 - Unqualified with emphasis of matter
 - Qualified
 - Adverse opinion
 - Disclaimer of opinion

STATEMENT OF FINANCIAL POSITION

- Assets
 - Non-current
 - Current
- Liabilities
 - Non-current
 - Current
- Equity and reserves

STATEMENT OF COMPREHENSIVE INCOME

- Operating income
- Other income
- Operating expenditure
- Other expenditure
- Finance income and expenditure
- Taxation
- Other comprehensive income / expenditure

PURPOSE OF INTERPRETATION

- Evaluate risks
- Financial health
- Performance
- Future prospects

CRITICAL ITEMS TO CONSIDER

- Does the financial statements agree with management accounts received?
- Does the financial statements correspond in material aspects to approved budget of previous year?
- Is the balance sheet a true reflection of position of the school?
- Was the report issued by auditor / accounting officer understood and the impact thereof considered?
- Was the impact of the audit findings considered on the financial statements?
- Does the current position support the budget prepared and approved?

INTEGRATION OF ELEMENTS

ASSETS - LIABILITIES = RESERVES

RESERVES = PREVIOUS YEAR RESERVE + SURPLUS - DEFICIT

INCOME - EXPENDITURE +/- ASSETS / LIABILITIES = INCREASE / DECREASE
IN CASH POSITION

Income more than expenditure = Increase in assets / decrease in
liabilities

Increase in assets without surplus and / or decrease in liability = decrease
in cash

PITFALLS / RISKS

- Going concern
- Requirements of tax legislation
(Income tax, payroll and Value Added Tax)
- Labour requirements not reported on
- Inclusion of incorrect items
- Off balance sheet activities



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