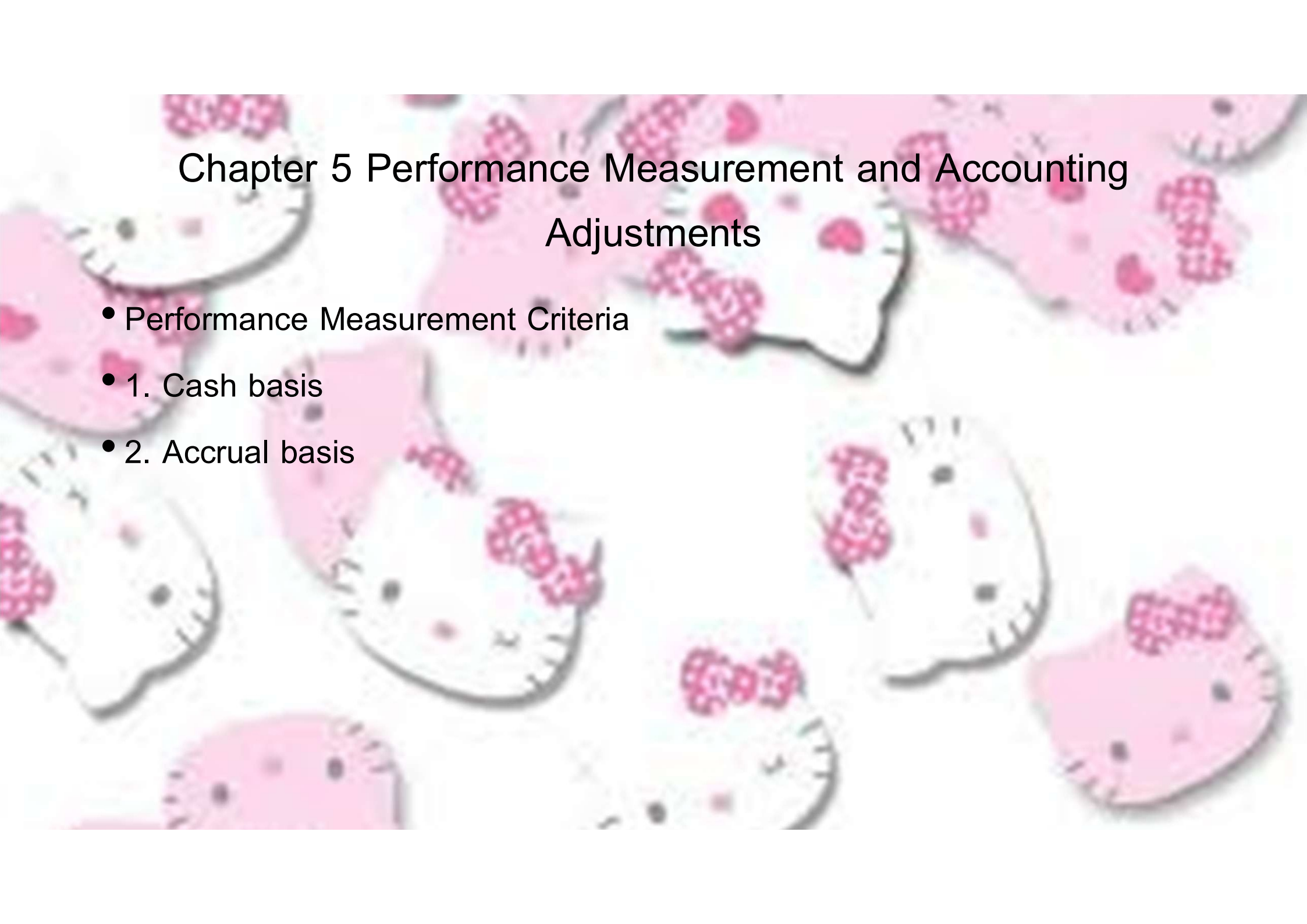


The background of the slide features a repeating pattern of Hello Kitty's face. The faces are white with pink cheeks, black whiskers, and a small pink bow on top. They are arranged in a scattered, overlapping manner across the entire slide.

Chapter 5 Performance Measurement and Accounting Adjustments

- Performance Measurement Criteria
 - 1. Cash basis
 - 2. Accrual basis

The background of the slide features a repeating pattern of Hello Kitty's face. The faces are white with pink bows and are set against a light pink background. The pattern is slightly blurred and covers the entire slide.

1. Cash Threshold

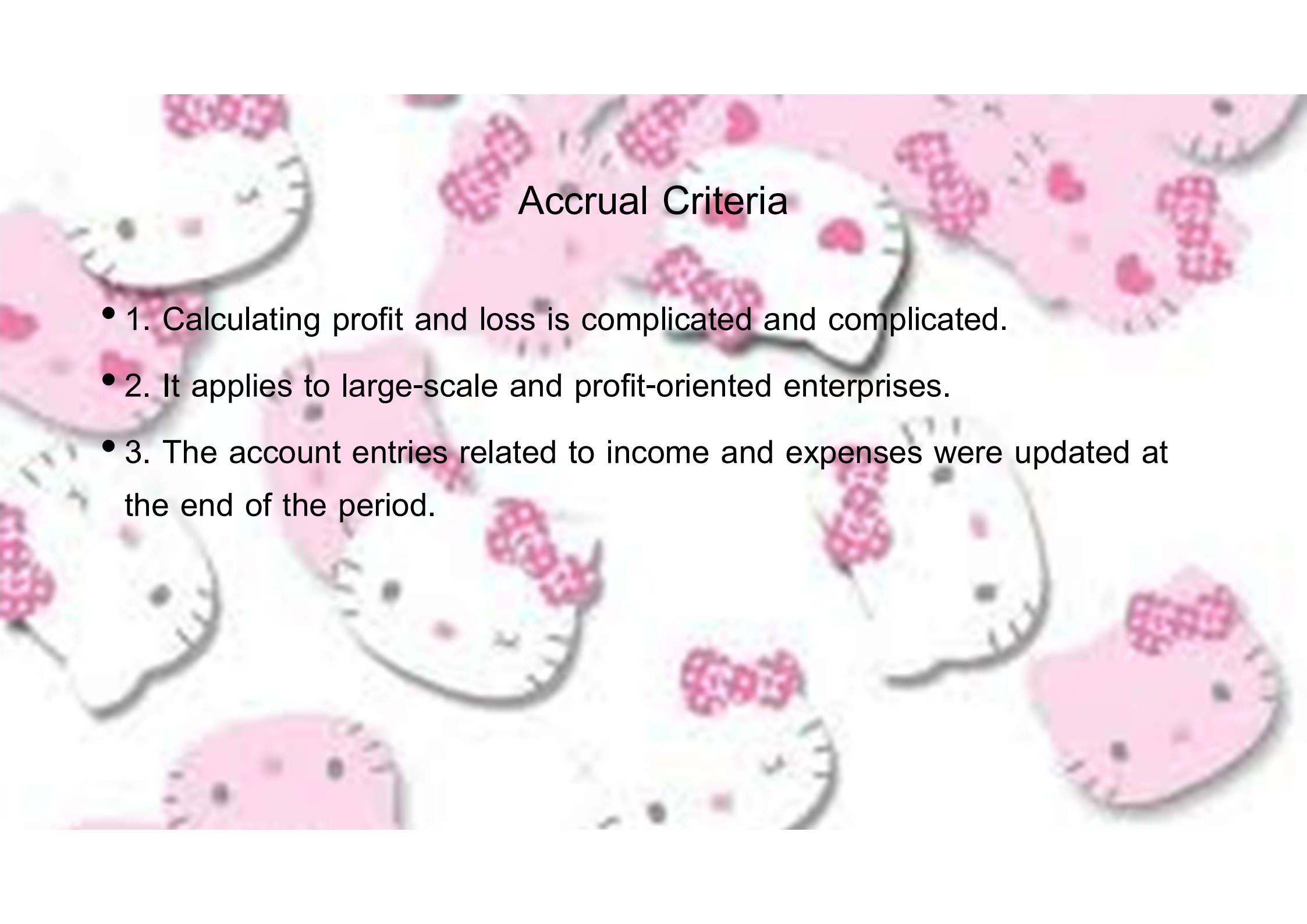
- It refers to accounting that records income and expenses when money is actually received or paid. This is regardless of the relevant period of money received or paid.

2. Accrual Criteria

- Also known as the payable criterion, it refers to the accounting method used primarily to consider recording income and expenses in various time periods, taking into account the income payable and expenses payable. To properly display the performance of each period. Regardless of whether the income and expenditure are in cash, whether the money has been received or paid.

Cash threshold

- 1. Calculation of profit and loss is convenient and easy.
- 2. It applies to businesses with uncertain income and are small or non-profit-oriented businesses.
- 3. There is no update of the account statement regarding income and expenses at the end of the period.

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Accrual Criteria

- 1. Calculating profit and loss is complicated and complicated.
- 2. It applies to large-scale and profit-oriented enterprises.
- 3. The account entries related to income and expenses were updated at the end of the period.

Improvement Items

- means posting to record error corrections, accruals, and debits. Allowance for bad debts, depreciation

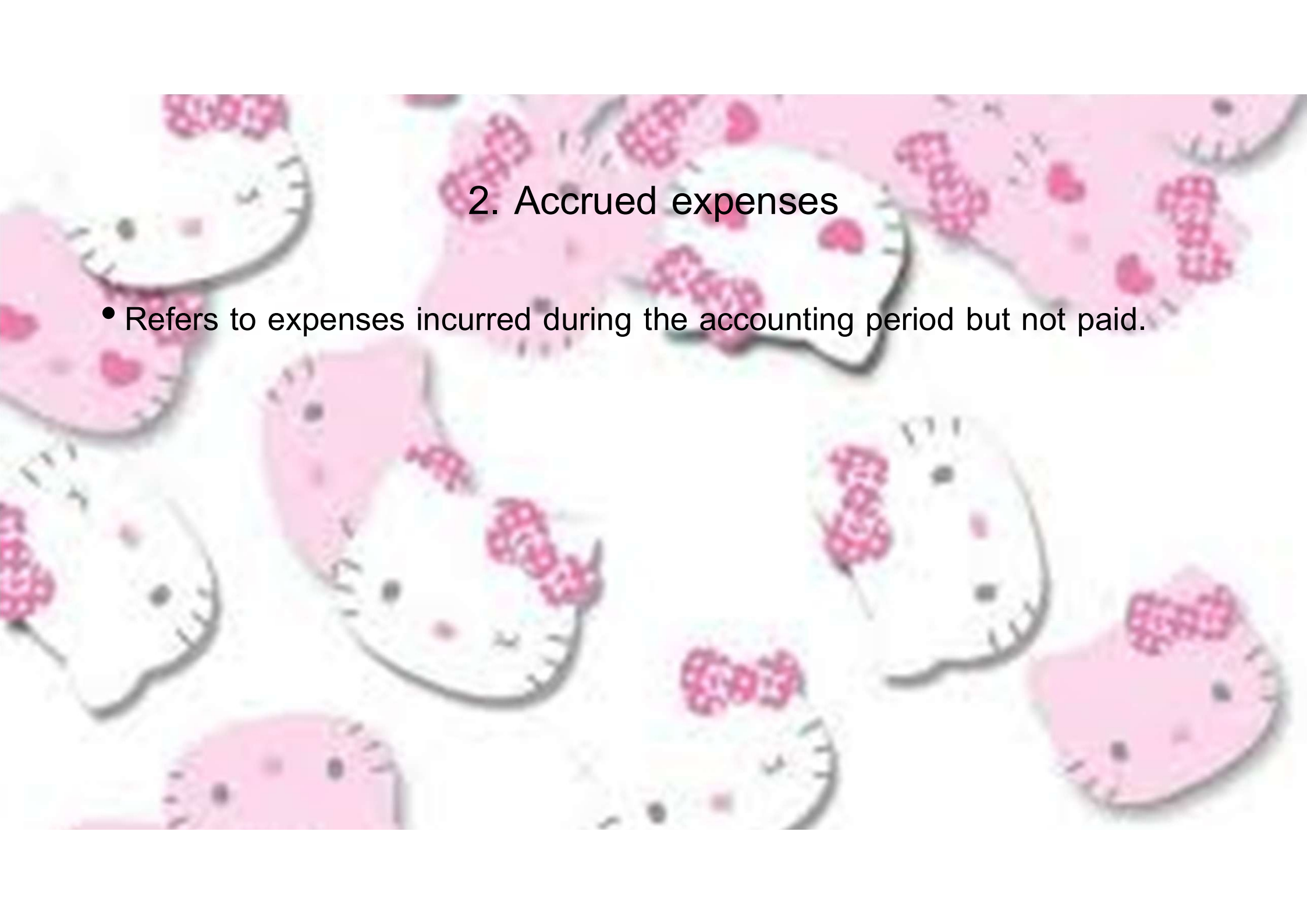
Types of Improvement Items

- 1. Accrued income
- 2. Accrued expenses
- 3. Advance Income
- 4. Upfront costs
- 5. Depreciation
- 6. Consumables Consumed
- 7. Allowance for doubtful debts
- 8. Amortization
- 9. Cost of Loss
- 10. Correction of Accounting Errors

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1. Accrued income

- It refers to income that has been generated but has not been paid.

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2. Accrued expenses

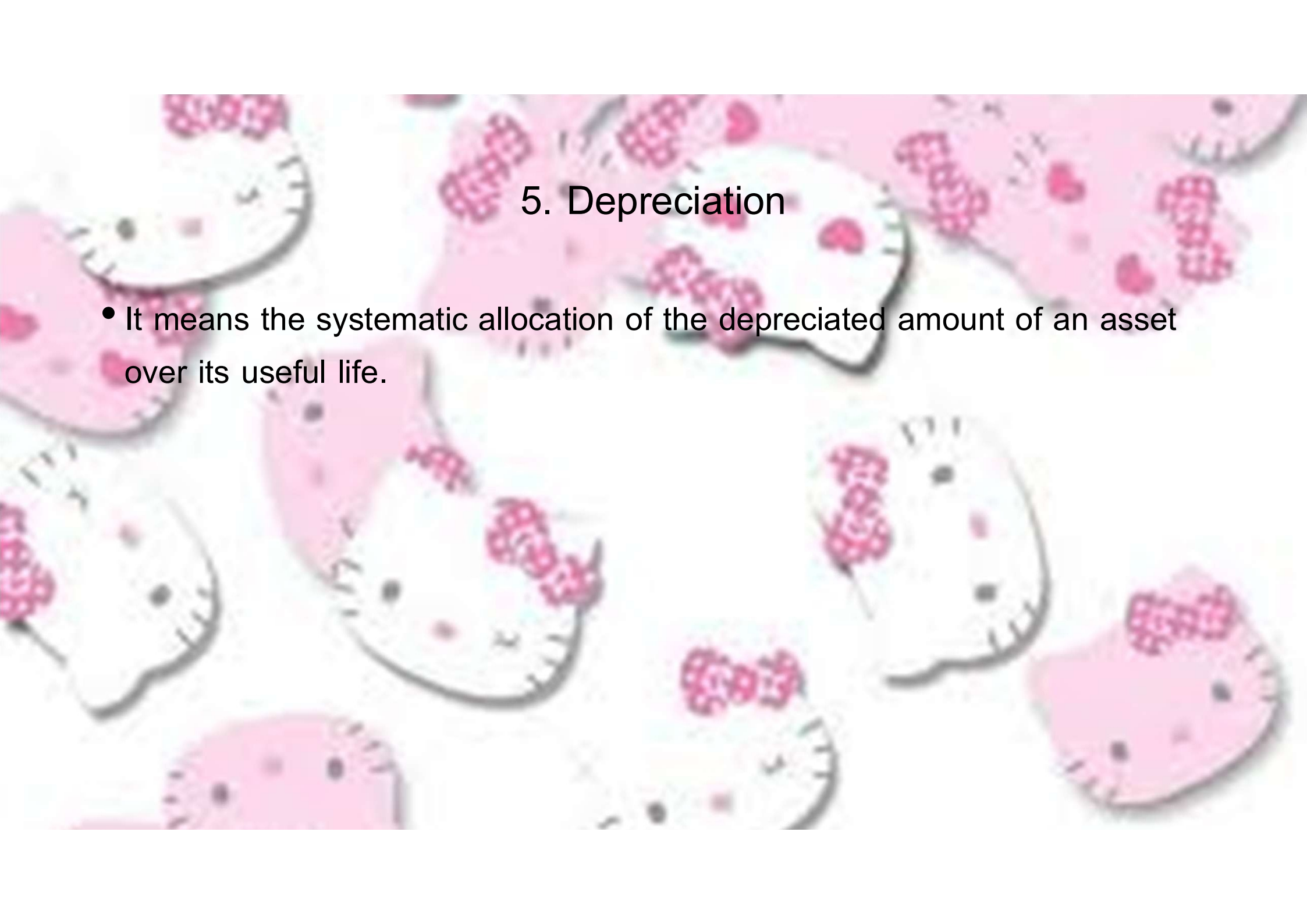
- Refers to expenses incurred during the accounting period but not paid.

3. Advance Income

- It may also be called deferred income, which refers to the income received by the business in advance, only the part that cannot be considered as income in the current accounting period and will be considered as income for the next accounting period.

4. Upfront costs

- It refers to the expenses paid in advance for assets or services that will benefit in the future and will be used up in a short period of time.

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5. Depreciation

- It means the systematic allocation of the depreciated amount of an asset over its useful life.

Depreciation Information

- 1. Cost price of the asset
- 2. Carcass value
- 3. Estimated service life

How to Calculate Depreciation

- There are many popular methods used, including the straight line method.
• The balance reduction method and the output amount method.

Straight line method

- Annual depreciation = $\frac{\text{cost price of the asset} - \text{salvage price}}{\text{Lifespan}(\text{years})}$
-

Saving Improvement Items

- Debit Asset Depreciation xx
- credit Accumulated depreciation –asset xx

6. Consumables Consumed

- Refers to an item in the inventory, which is often not worth enough to be classified as a raw material, sometimes it is immediately deducted as an expense when purchased. Most of them are office or factory consumables, such as various printed stationery.

- 
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- Consumables brought at the beginning of the xx period
 - Plus consumables purchased during the xx installment.
 - Consumables are intended for xx operation.
 - Deducted Remaining consumables carried over to the end of the period xx
 - Consumables spent in this period xx

7. Allowance for doubtful debts

- means the amount set aside for receivables that are expected to be uncollectible and is considered as an adjustment account established to be deducted from the receivables account in the statement of financial position so that the balance is the net value of the receivables that is expected to be collected.

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Bad debt

- The debtor has followed up the collection to the end, but has not paid the debt and has written off the account.

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Doubtful account

- **Receivables that are expected to be uncollectible and are considered expenses for that accounting period.**

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allowance for doubtful accounts)

- The amount set aside for receivables that are not expected to be collected and is considered as an adjustment account established to be shown as a deduction from the receivables account in the statement of financial position so that the balance is the net value of the receivables that are expected to be collected.

Recording of receivables that are expected to be uncollectible

- 1. Direct amortization method
- 2. How to set allowance

Direct amortization method

- It is a method in which the business does not estimate the doubtful debt in advance. When the business collects from the debtor and cannot collect money from the debtor, the debt is actually incurred.

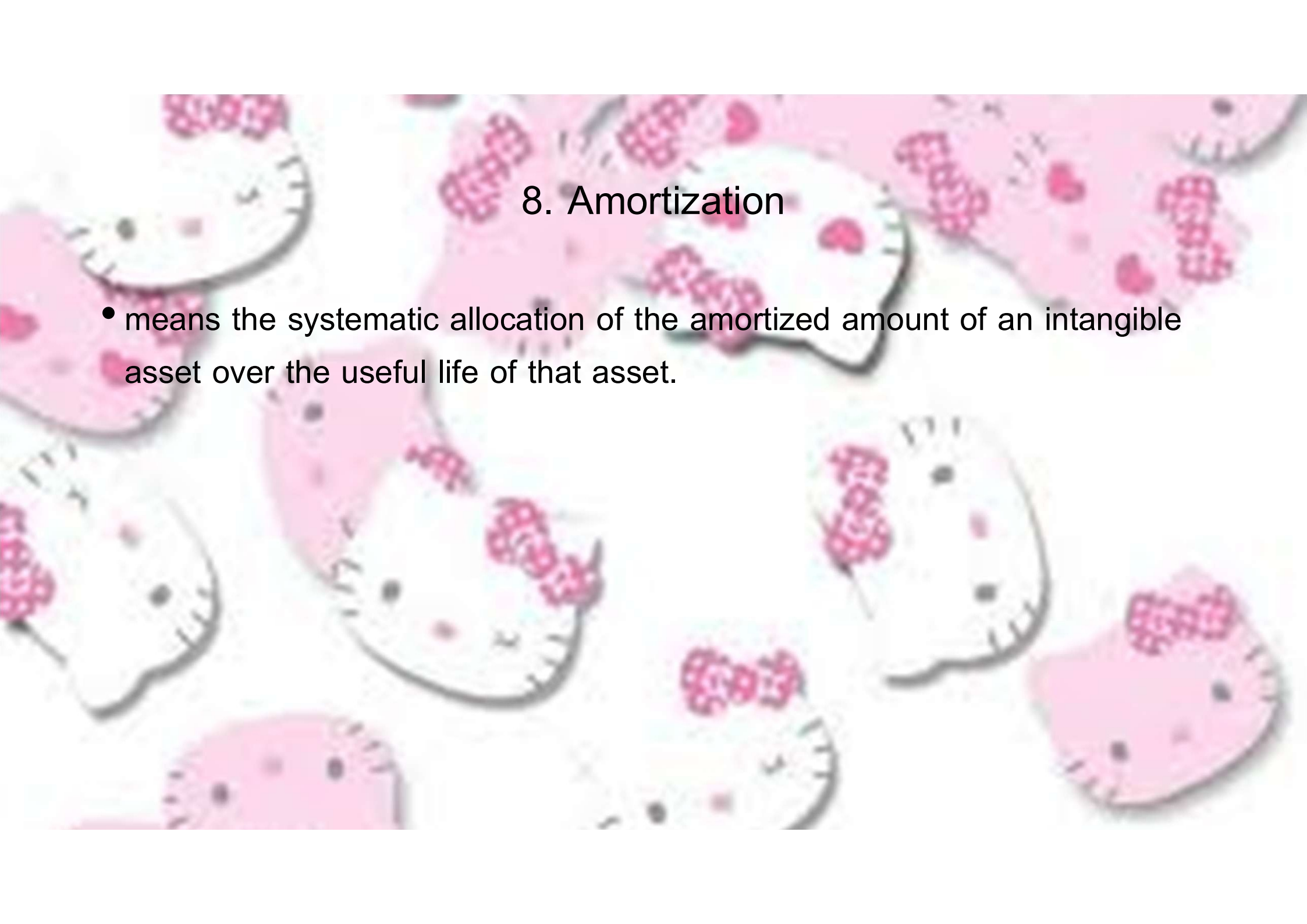
How to set allowance

- It is a method by which the business will estimate doubtful debts in advance. Therefore, at the end of the accounting period, the account must be adjusted. Doubtful debt that has been estimated

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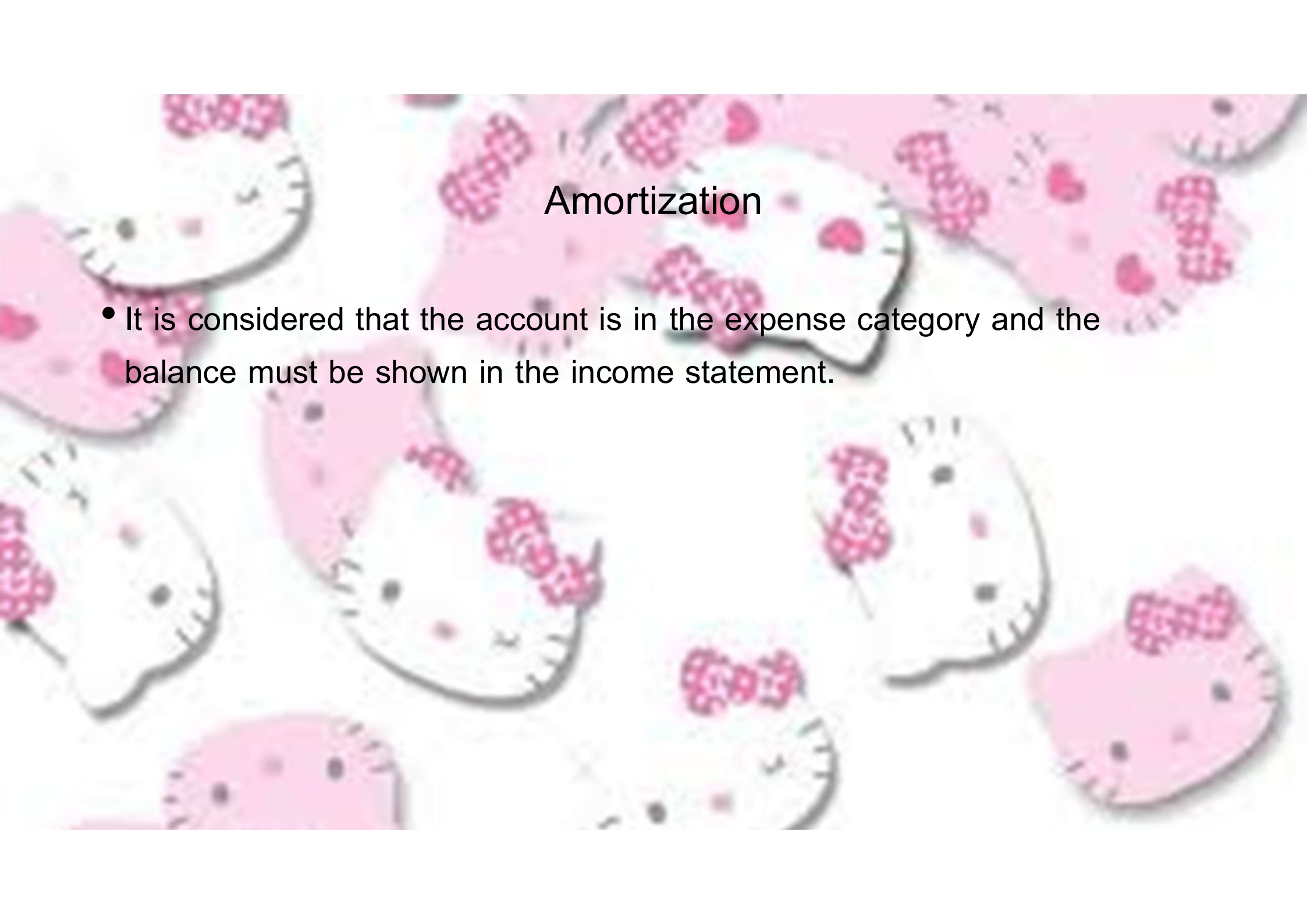
How to set up allowances in case there are 2 ways to estimate doubtful debts.

- 1. Estimation of doubtful debt loss from net income or sales of trust
- 2. Estimate of doubtful debt from the year-end receivables

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8. Amortization

- means the systematic allocation of the amortized amount of an intangible asset over the useful life of that asset.

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Amortization

- It is considered that the account is in the expense category and the balance must be shown in the income statement.

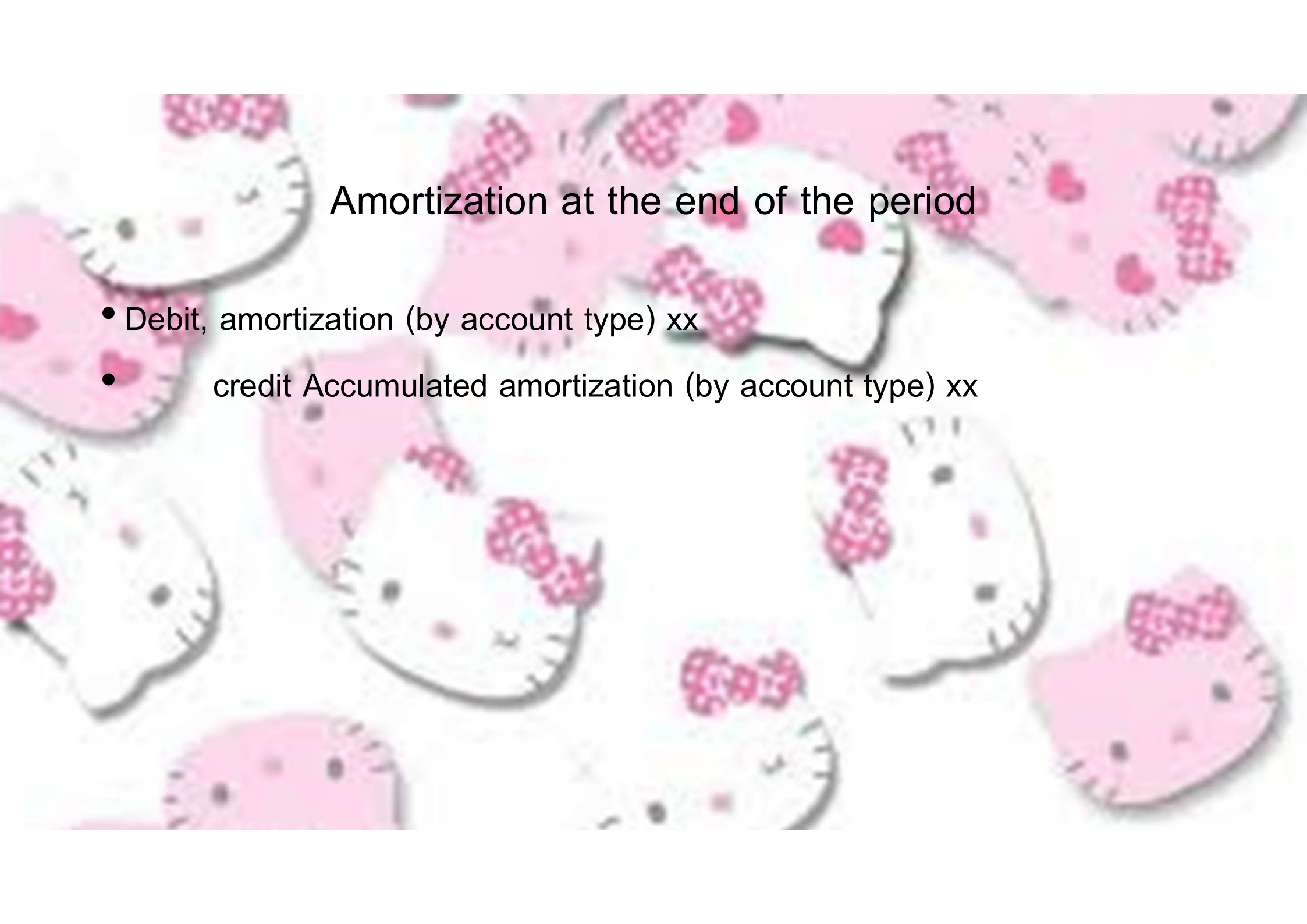
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Accumulated amortization

- **It is considered an asset value adjustment account.
The balance must be shown in the statement of financial position.**

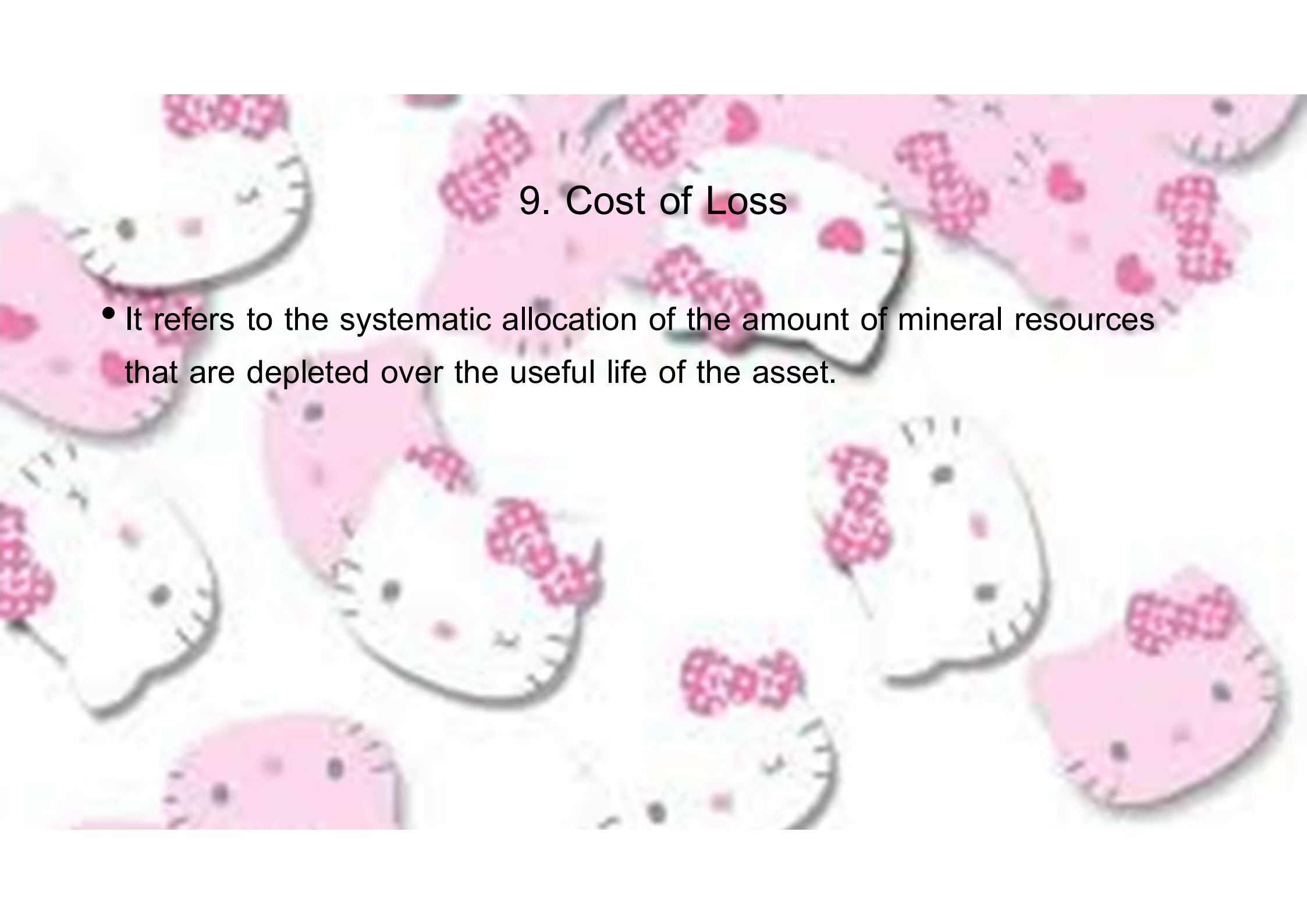
Formula to calculate amortization using the linear method

- Annual amortization = $\frac{\text{cost price of the asset}}{\text{Estimated useful lifespan}}$

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Amortization at the end of the period

- Debit, amortization (by account type) xx
- credit Accumulated amortization (by account type) xx

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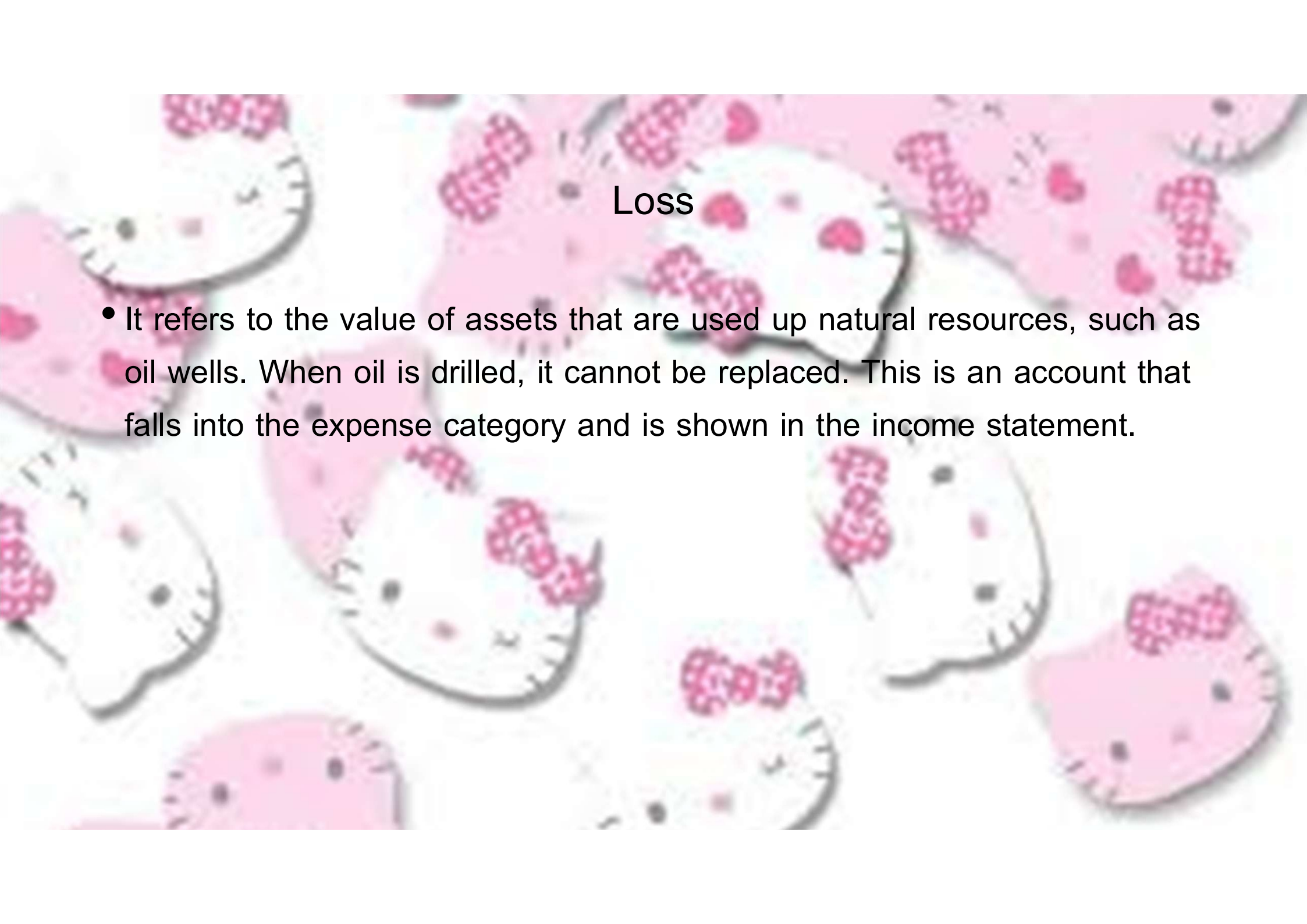
9. Cost of Loss

- It refers to the systematic allocation of the amount of mineral resources that are depleted over the useful life of the asset.

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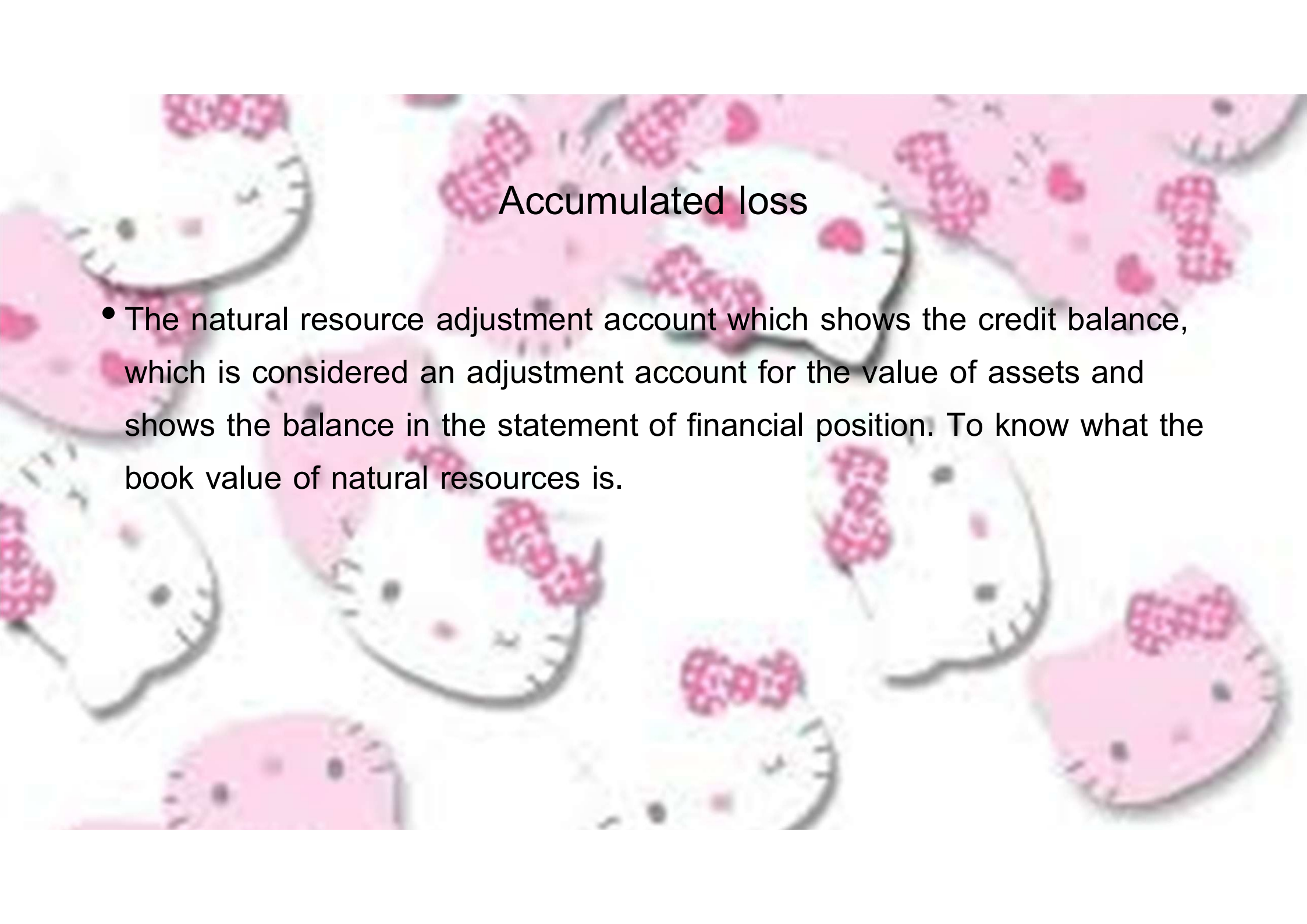
natural resource

- Refers to assets that must be used up while being used in operations, such as mining. Forests, oil fields,

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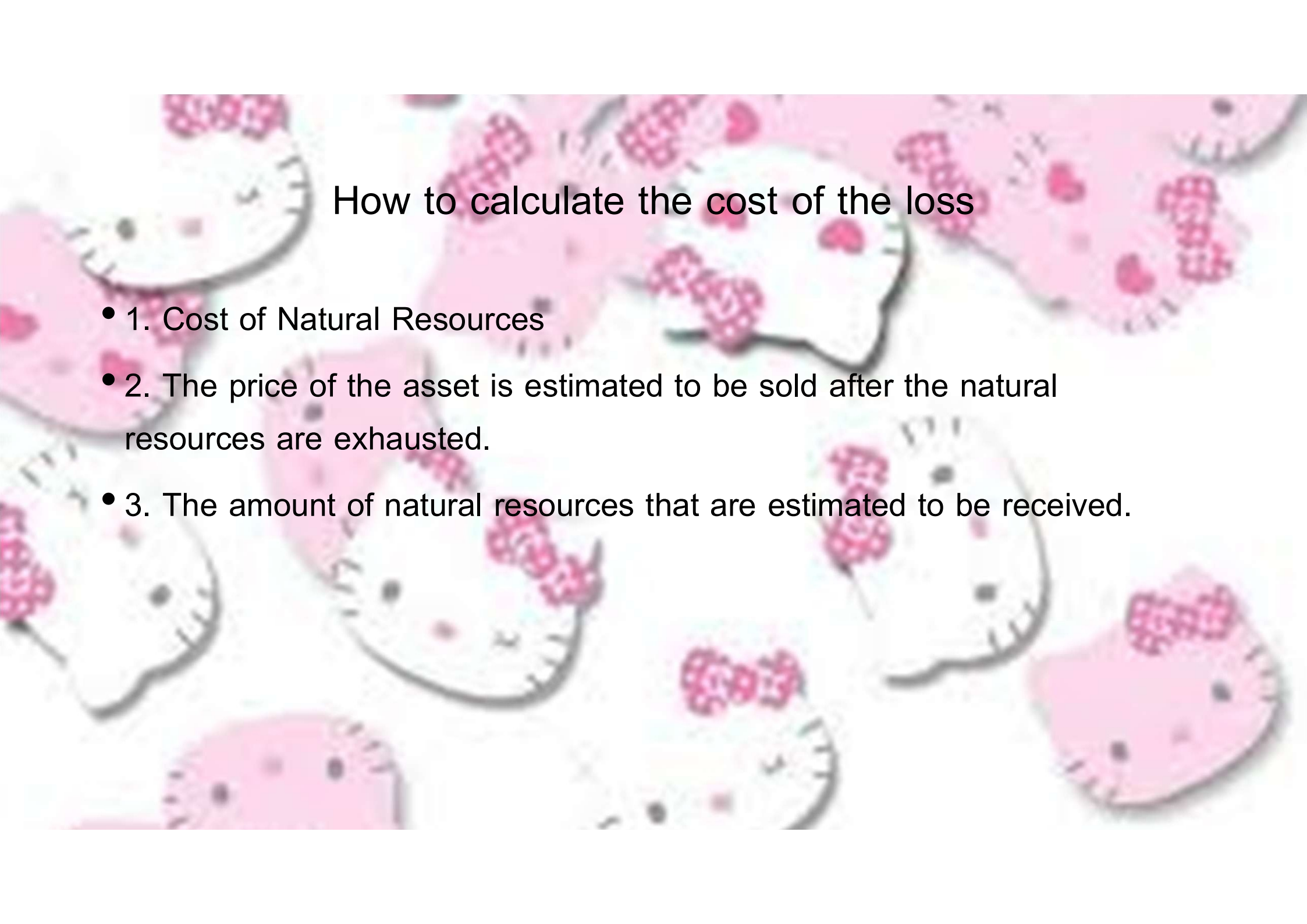
Loss

- It refers to the value of assets that are used up natural resources, such as oil wells. When oil is drilled, it cannot be replaced. This is an account that falls into the expense category and is shown in the income statement.

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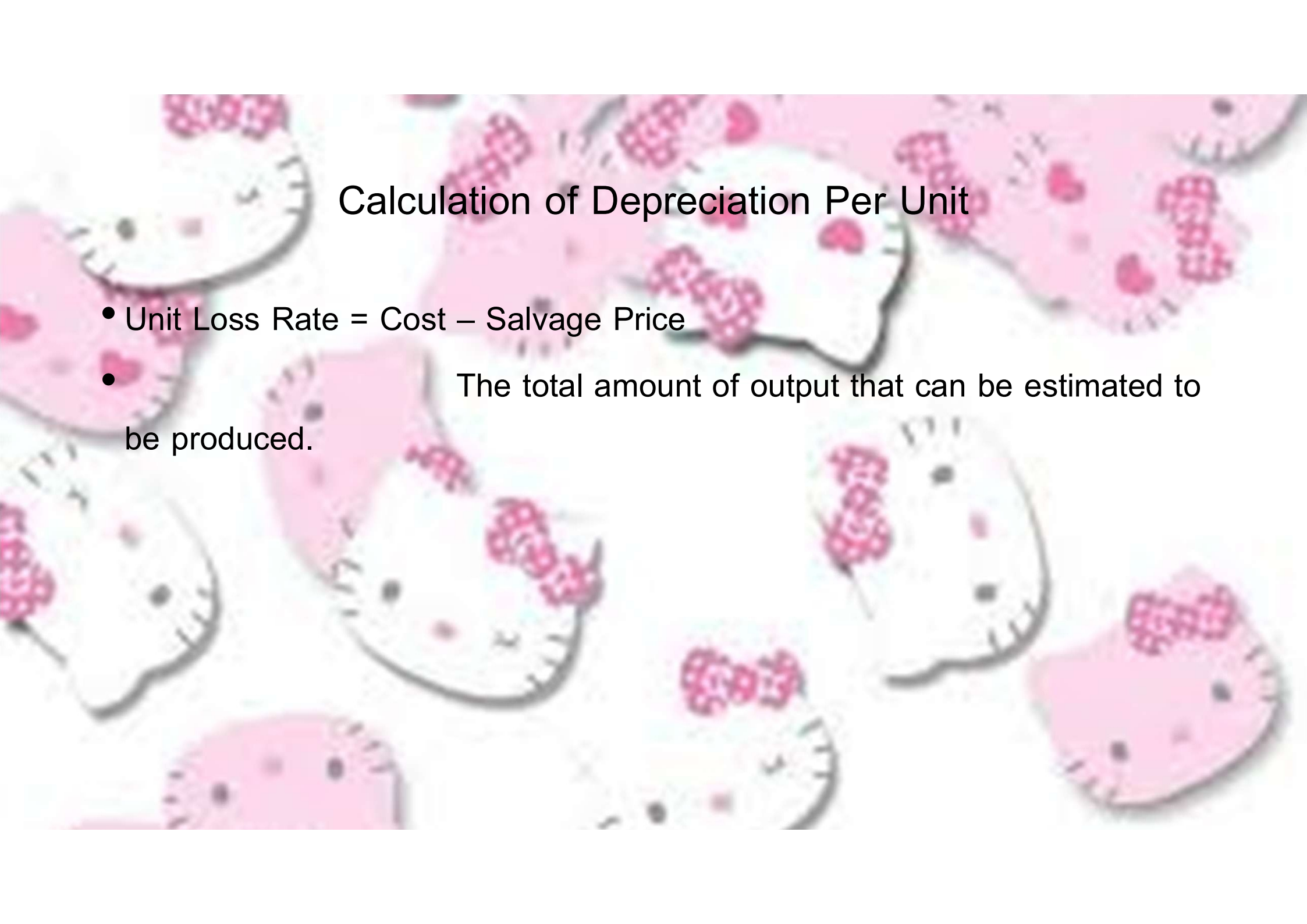
Accumulated loss

- The natural resource adjustment account which shows the credit balance, which is considered an adjustment account for the value of assets and shows the balance in the statement of financial position. To know what the book value of natural resources is.

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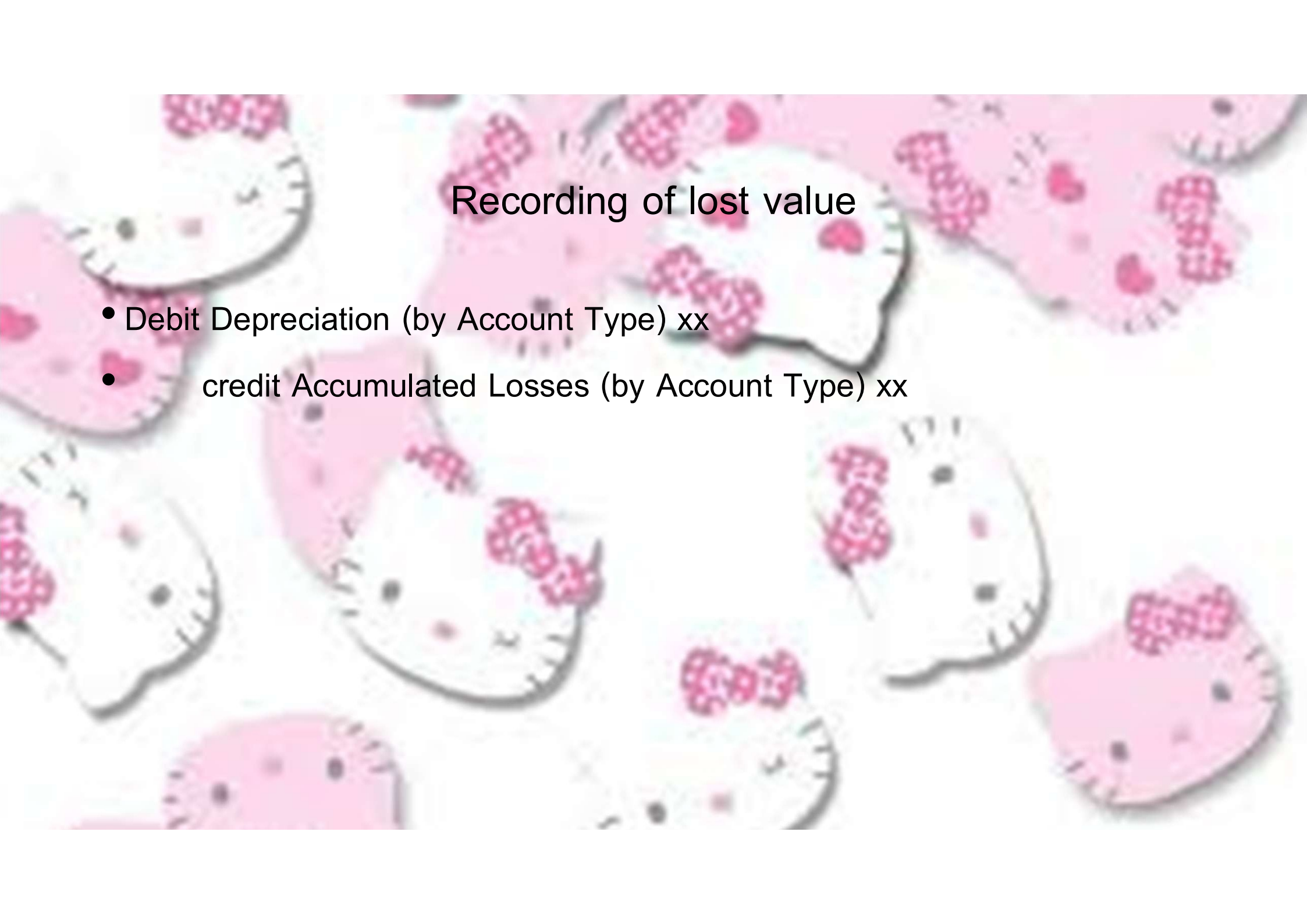
How to calculate the cost of the loss

- 1. Cost of Natural Resources
- 2. The price of the asset is estimated to be sold after the natural resources are exhausted.
- 3. The amount of natural resources that are estimated to be received.

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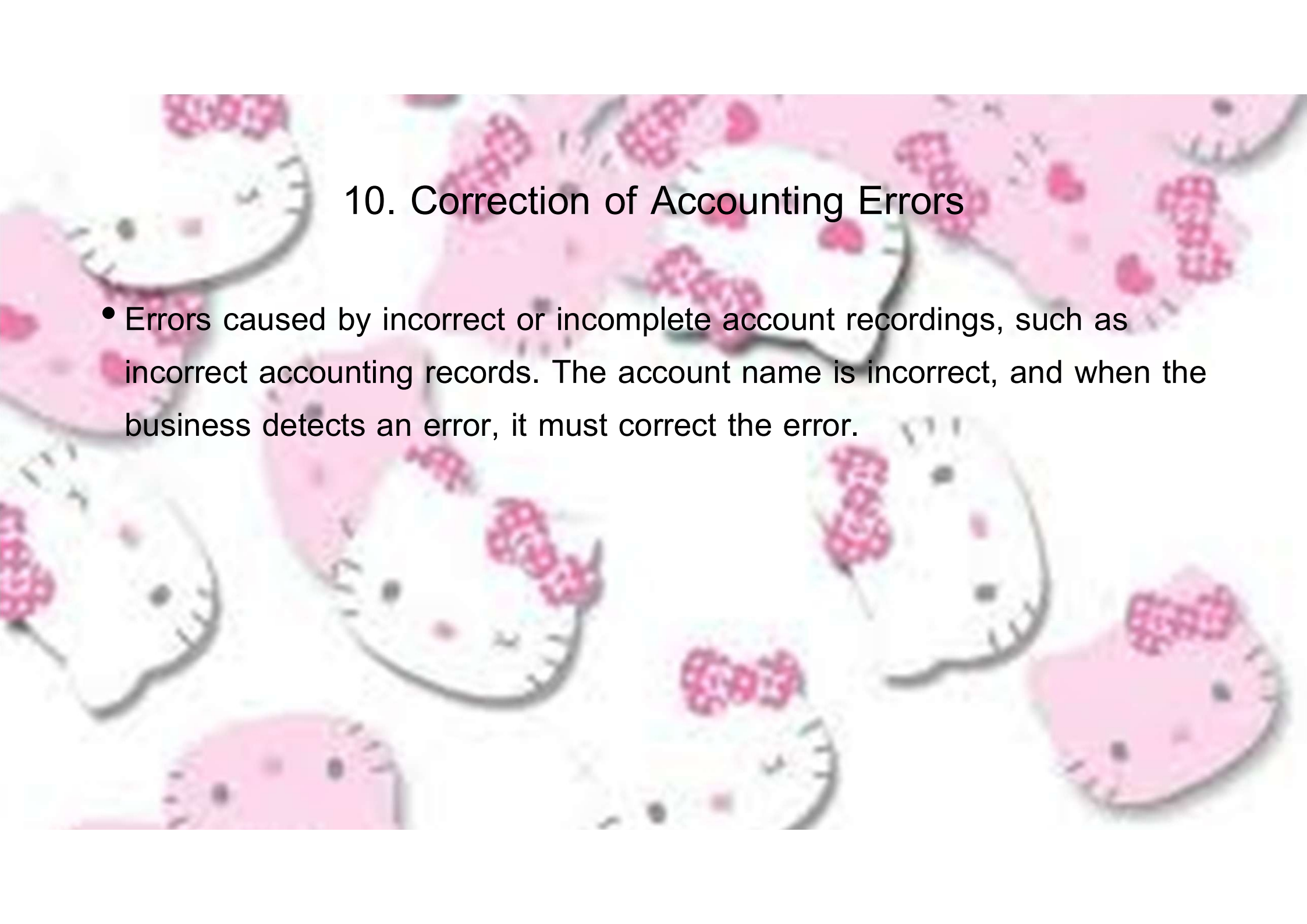
Calculation of Depreciation Per Unit

- Unit Loss Rate = $\text{Cost} - \text{Salvage Price}$
- The total amount of output that can be estimated to be produced.

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Recording of lost value

- Debit Depreciation (by Account Type) xx
- credit Accumulated Losses (by Account Type) xx

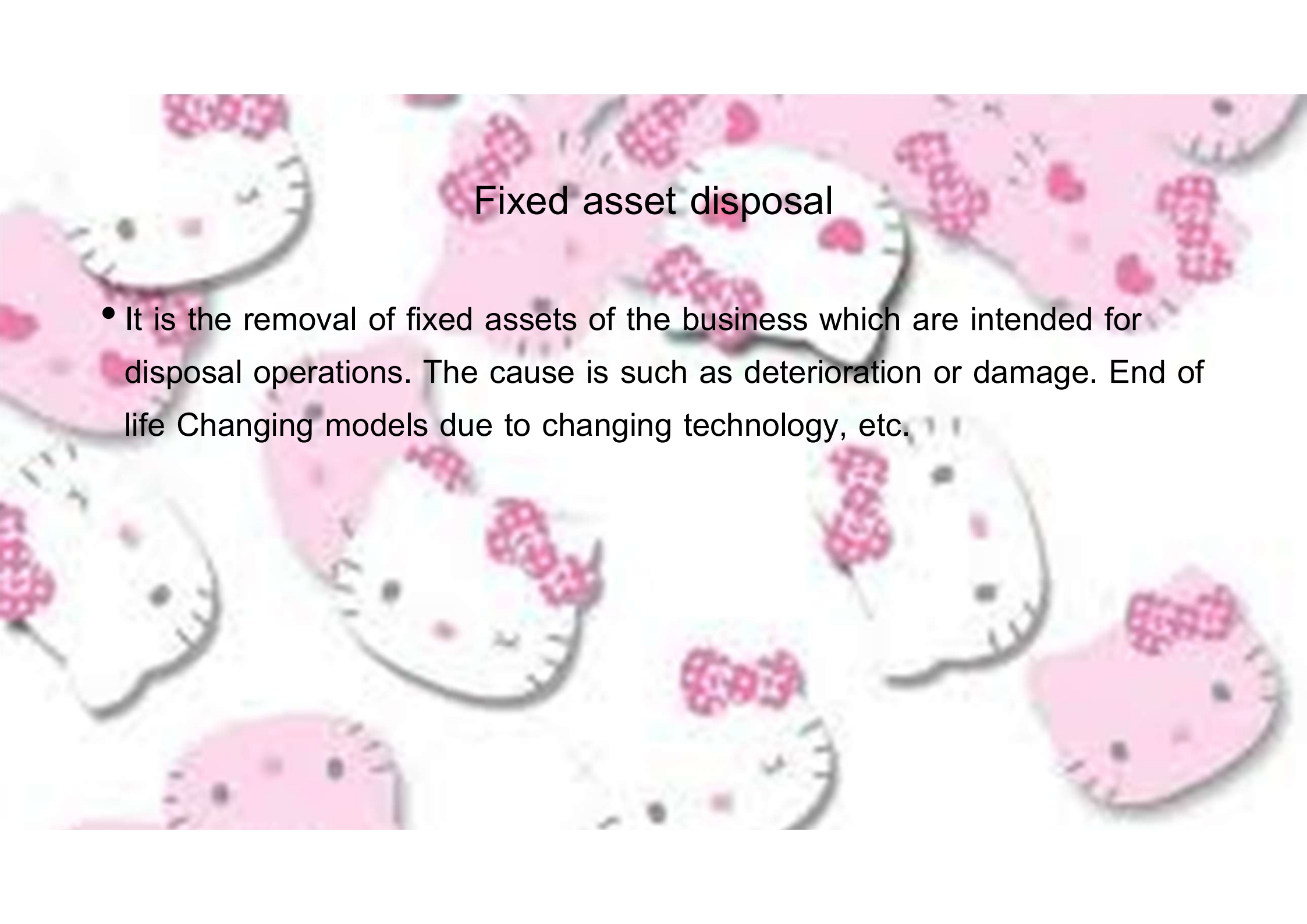
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10. Correction of Accounting Errors

- Errors caused by incorrect or incomplete account recordings, such as incorrect accounting records. The account name is incorrect, and when the business detects an error, it must correct the error.

Trial Statement After Reconciliation

- It is a trial statement that has the same method and procedure as the trial statement before the adjustment, but the balance from all ledgers after the recording of the account adjustment and correction of accounting errors is used to prepare the trial statement again. After that, the balance of the income category account is used to prepare the income statement and the balance of the asset category account is used. Debts and owners' equity to prepare a statement of financial position.

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Fixed asset disposal

- It is the removal of fixed assets of the business which are intended for disposal operations. The cause is such as deterioration or damage. End of life Changing models due to changing technology, etc.

Steps to Record Transactions on Fixed Asset Disposal

- 1. Calculate the depreciation of the asset for the year in which the asset is disposed of.
- 2. Calculate the accumulated depreciation of the asset.
- 3. Calculate the book value of the asset
- 4. Calculate profit or loss from asset disposal The selling price is deducted from the carrying value of the asset.

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In case of profit from the disposal of assets

- Debit Cash/Payables xx
- Accumulated depreciation-fixed assets xx
- credit Fixed Assets xx
- Profit from disposal of assets xx

In case of loss from asset disposal

- Debit Cash/Payables xx
- Accumulated depreciation-fixed assets xx
- Loss on disposal of assets xx
- credit Fixed Assets xx