

May 2006



From a distance

The Premier Training Newsletter

Message from the directors:

Hi folks!

Welcome to the inaugural issue of the Premier Training Newsletter. As we now have over two thousand students studying with us many of you have requested that we introduce a Newsletter – so here goes!

Our senior accounting tutor Dawn Weeden has kindly agreed to edit the newsletter. Dawn is a qualified Chartered Accountant and is also studying for her Ph.D. in distance learning for accountancy students. If you have any thoughts/views on distance learning, articles, book reviews and study tips (or jokes even) then please send them to Dawn at dawn@premiertraining.co.uk and she will try to include them in the Newsletter.

Each month we'll be sending you the newsletter by e-mail, so make sure you let us know if you change your email address.

Copies of the Newsletter can also be downloaded from our website. Talking of websites, we will shortly be introducing a brand new website, which will have an improved student VIP area and a dedicated Student Discussion Forum. Watch this space for further details!

Hope you enjoy the Newsletter.

Mike Hughes
Managing Director

On line lectures

Premier Training has recently introduced on line lectures. These are presented over the Internet, by a member of our staff and provide the opportunity for students to listen in, ask questions, either verbally or by typed message, and attempt some activities.

You will need a broadband Internet connection.

On line lecture session dates:

DFS Session 1: Preparing limited company accounts – unitary and group
18th May 2006, 6.30pm – 8pm

DFS Session 2: Interpreting financial statements – cashflows and ratios
23rd May 2006, 6.30pm – 8pm

Joke corner:

How do you turn an asset into a liability?
(See last page for answer!)

If you would like to enrol for these sessions, or register your interest for other sessions, please telephone Jane Hasler on 0870 350 1362 or email jane@premiertraining.co.uk

Key dates:**Exam results will be published:****AAT:** w/c 14th August 2006**CAT/ACCA:** w/c 21st August 2006**CIMA:** w/c 31st July 2006**Registration dates for the****November/December exams:****AAT:** 30th September 2006**CAT/ACCA:** 15th August 2006**CIMA:** 31st July 2006**Exam results:**

Calling all ACCA, CAT and CIMA students. We would be very grateful if you could let us know when you receive your exam results. The awarding bodies do not supply results lists to trainers and therefore we cannot congratulate our students on passing their exams.

AAT Exam Timetable

Time	9.30 am	2 pm
12 th June 2006	Unit 8 PEV – Technician/Diploma Contributing to the management of performance and enhancement of value	Unit 6 ECR – Intermediate/Diploma Recording and evaluating costs and revenues
13 th June 2006	Unit 18 BTC – Technician/Diploma Preparing business taxation computations	Unit 3 PLB – Foundation Preparing ledger balances and an initial trial balance Unit 30 IAC – Diploma Introductory accounting
14 th June 2006	Unit 11 DFS – Technician/Diploma Drafting financial statements	Unit 5 FRA – Intermediate/Diploma Maintaining financial records and preparing accounts
15 th June 2006	Unit 9 PCR – Technician/Diploma Contributing to the planning and control of resources	Unit 73 DNP – Payroll level 2 Determining net pay
16 th June 2006	Unit 19 PTC – Technician/Diploma Preparing personal taxation computations	Unit 75 CYE – Payroll level 3 Completing year end procedures

Times of exams are subject to change so please consult your exam centre

CIMA Timetable

Time	23 May 2006	24 May 2006	25 May 2006
9.10am	P1 – Management Accounting Performance Management P6 – Management Accounting Business Strategy	P2 – Management Accounting Decision Management P9 – Management Accounting Financial Strategy	P5 – Integrated Management P3 – Management Accounting Risk and Control Strategy
1.40pm	P8 – Financial Analysis	P4 – Organisational Management and Information Systems	P7 – Financial Accounting and Tax Principles P10 - TOPCIMA

Times of exams are subject to change so please consult your exam centre

CAT & ACCA Exam Timetable		
Time	CAT	ACCA
5 th June 2006	Paper 1 – Recording financial transactions Paper 6 – Drafting financial statements	2.1 – Information systems 3.4 – Business information management
6 th June 2006	Paper 2 – Information for management control Paper 7 – Planning, control and performance management	2.2 – Corporate and business law 3.1 – Audit and assurance services
7 th June 2006	Paper 3 – Maintaining financial records and accounts	2.3 – Business taxation 3.2 – Advanced taxation
8 th June 2006	Paper 4 – Accounting for costs	1.1 – Preparing financial statements 2.5 – Financial reporting
9 th June 2006	Paper 5 – Managing people and systems	1.2 – Financial information for management 3.3 – Performance management
12 th June 2006	Paper 8 – Implementing audit procedures	1.3 – Managing people 3.5 – Strategic business planning and development
13 th June 2006	Paper 9 – Preparing taxation computations	2.6 – Audit and internal review 3.6 – Advanced corporate reporting
14 th June 2006	Paper 10 – Managing finances	2.4 – Financial management and control 3.7 – Strategic financial management
<i>Exams are scheduled to begin at 10am</i>		

What's new?

In the VIP lounge

During the last month the following help sheets have been added to the VIP lounge:

- Cash and credit purchases (AAT Foundation / Certificate)
- DFS: changes due to IAS's
- Payroll templates FA2005
- Transfer pricing

If there are any areas that you would like covered by help sheets, then just let us know.

Don't forget that templates for your Osborne assignments are available in the VIP lounge.

Who's new?

In the teaching team

On the 1st March 2006 we welcomed Alan Dawson to our teaching team. Alan has had several years working in a management accounting environment, as well as being a qualified teacher.

In the admin. Team

Sarah Wright has joined our admin. team and part of her duties includes answering the phone. So I am sure that most of you will speak to her at some time!

Technical Corner:



How to deal with bad debts in financial statements.

Dealing with bad debts is one of the topics that many students find difficult to grasp, and yet it is fairly straight forward if you consider what you are trying to achieve.

Businesses that sell goods on credit will record these transactions in the sales ledger control account (debit entry) in the balance sheet, and in the sales account of the profit and loss account (credit entry). When the customer pays, the balance in the sales ledger control account will be cleared by a credit entry, with the corresponding debit entry in the bank account. If a customer does not pay, then the balance will be carried forward indefinitely until such time as the company decides to write off the balance as a bad debt.

The correct treatment to write off the balance is to credit the sales ledger control account and debit the bad debts account in the profit and loss account. Thus the original sale remains as a sale in the P&L but the bad debt is shown as an expense of the business, thereby reducing the profit.

Lets look at an example:

Assume that a company has sold £1,000 of goods to Nopay Ltd.

- (1) This will be recorded as a sale in both the sales ledger control account and the sales account.
- (2) Nopay Ltd fails to settle their invoice so it is decided to write the debt off. The invoice is taken out of the sales ledger control account and transferred to the bad debts account of the P&L. This means that this invoice no longer forms part of the balance on the sales ledger control account. Remember that whatever entry you make in the control account must be mirrored in the subsidiary ledger.

Sales Account (P&L)			
	£		£
		Nopay Ltd (1)	1000

Sales Ledger Control Account (BS)			
	£		£
Nopay Ltd (1)	1000	Bad debt account (2)	1000

Bad Debts Account (P&L)			
	£		£
Nopay Ltd SLC (2)	1000		

The above treatment is fine if the business wants to write off an invoice as a bad debt, but sometimes the business might just want to account for the possibility that the invoice might not be paid. This is done through the use of a provision for bad debts account.

The provision for bad debts account acts as a holding account for any invoices that might not be paid but that remain in the sales ledger account. The amount of the invoice is written off to the P&L account as above, but instead of crediting the sales ledger control account and removing the invoice completely, the credit is posted to the provision account. This is a balance sheet account and is netted off the sales ledger control account.

All changes to the provision for bad debts must pass through the P&L account via the bad debt account, whether they are increases or decreases in the provision.

An example:

Instead of writing off the invoice from Nopay Ltd, the business wishes to create a provision for this amount.

- (1) Create the provision for bad debts by debiting the bad debt expense account and crediting the provision account.
- (2) Suppose that 6 months later Nopay sends a cheque for £500.

Sales Account (P&L)			
	£		£
		Nopay Ltd	1000

Sales Ledger Control Account (BS)			
	£		£
Nopay Ltd	1000	Bank	500

Bad Debts Account (P&L)			
	£		£
Nopay Ltd bad debt reserve (1)	1000	Reduce bad debt reserve (2)	500

Provision for bad debts account (BS)			
	£		£
Reduce bad debt reserve (2)	500	Nopay Ltd bad debts (1)	1000

The net effect then, is to leave the £500 balance in the sales ledger control in case Nopay Ltd eventually pay the remaining balance, but to decrease the profit and the current assets now just in case they don't pay.

This is the prudent treatment since any potential losses must be accounted for as soon as the possibility of a loss arises.

Bad debts can be based on specific invoices or they can be calculated as a percentage of the total outstanding debtors. The treatment is exactly as outlined above, just create the provision by debiting the bad debt expense and crediting the provision for bad debts account. Any subsequent adjustments to the total amount of provision required will be made through these two accounts.

For additional notes on this topic, please go to the VIP lounge on www.premiertraining.co.uk

And finally

Why does the tax year end on the 5th April?

Have you ever wondered why the tax year ends on the 5th April? Well, you can blame the monarch, the Romans and Pope Gregory! It all started in medieval times. Running the kingdom was an expensive business and the king was ever grateful for the contributions his subjects willingly made. So grateful in fact that he relieved them of their burden twice a year, Easter and Michaelmas. However, as the number of subjects and amount of revenue increased, the collection days were increased to four times a year on the feast days closest to the Quarter Days: Lady Day (25 March), Midsummer's Day (24 June), Michaelmas (29 September) and Christmas Day (25 December).

In 1752 it was discovered that the Romans had made a miscalculation when devising the calendar and that, by 1752, they were 11 days adrift from the calendar of Pope Gregory . So Parliament decided to correct this error by decreeing that the day after 2nd September would be 14th September. The problem with this would mean collecting taxes 11 days sooner. So, being a lenient sort, the Monarch agreed that the collection due on 25th December 1752 would not be payable until 5th January, and the Lady Day collection would be due on 5th April. To revert back to the original collection days would have the effect of bringing forward the tax period by 11 days so it was left as 5th April. The significance of this date was strengthened in 1832 when the government changed its own accounting year end to coincide with the budget presentation in spring.

So now you know!!

Feedback and comments....

We hope that this newsletter will provide timely updates of events at Premier Training and will also be useful for your studies. The best way we can do this is by asking for your feedback. So if you have any comments or suggestions, please let us know.

Joke corner:

Marry it!

This is the best accounting joke we could think of but if you can do better, please email Dawn.