

How do I record a prior period adjustment in my Jazzit financial statements?

You need to consider the effects on the retained earnings opening balance when posting a prior period adjustment. If the retained earnings is affected, the Statement of Retained Earnings should be amended to show a restatement.

A prior period adjustment will be posted twice; the first journal entry will be posted in the prior year to correct the balances in the comparative year, the second journal entry will be posted in the current year to correct the opening balances for the balance sheet and retained earnings.



The ability to show the **restated** retained earnings on the Statement of Retained Earnings in the Jazzit financial statements is available when the client profile is set to 'Limited company' or 'Sole proprietor'.

Solution

Let us look at the following example:

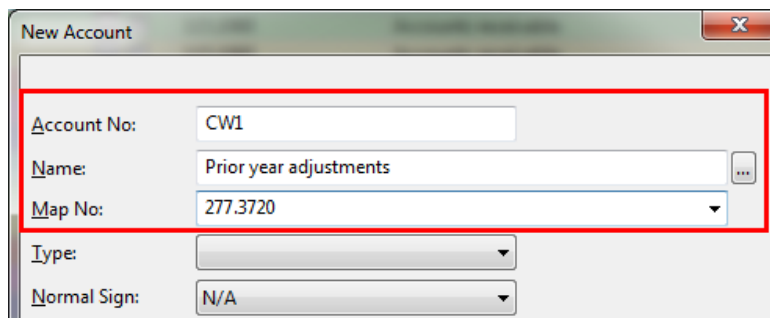
The prior year AR was understated by \$100,000. The prior year entry to correct this error would be as follows:

Accounts receivable	Dr - \$100,000
Sales	Cr - \$100,000

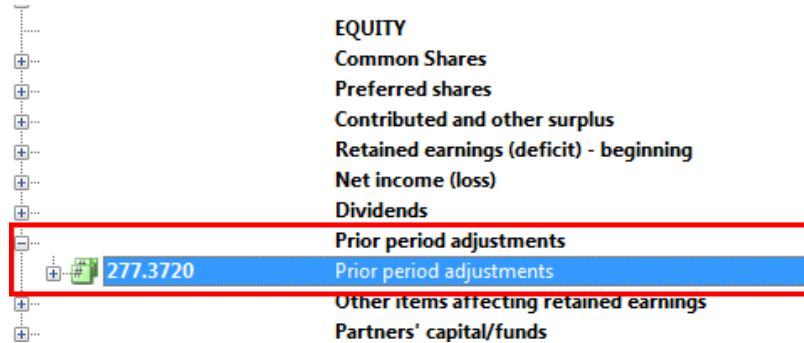
Posting the adjusting entry in CaseWare Working Papers

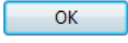
The journal entries will be posted in CaseWare Working Papers as follows:

- 1) Create a new account called '**prior period adjustments**'. To create a new account, go to the **Working Trial Balance** using the Navigation toolbar or use the **CTRL + W** hotkey to open the Working Trial Balance.
- 2) Go to **Account | New Account** or click on the '**New**' button in the top left corner of the screen.
- 3) Complete the following fields in the **New Account** dialogue:



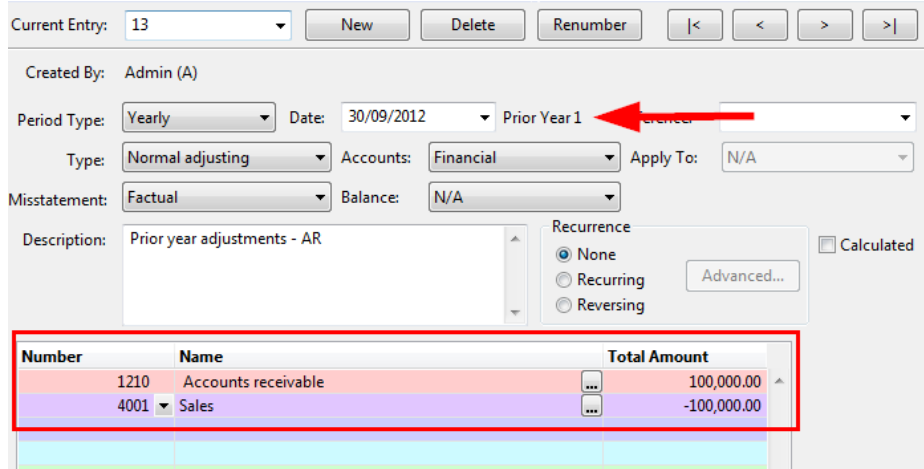
- a) **Account No:** Enter a new account number.
- b) **Name:** Enter the account name, e.g. 'Prior period adjustments'.
- c) **Map No:** Map the new account number. The 'Prior period adjustments' account should be mapped to map number '277.3720'.



4) Click on the  button to continue.

5) Open the **Adjusting entries** screen (**CTRL + J**) and enter the journal entries as follows:

- **Prior year:** The journal entry is posted to the prior year as it should have been originally entered. Remember to change the journal entry date to the prior year-end date.



Number	Name	Total Amount
1210	Accounts receivable	100,000.00
4001	Sales	-100,000.00

- **Current year:** The journal entry should be repeated in the current year, however, as per the example, we will be posting the income statement portion to the new **'Prior period adjustments'** account instead of posting it to sales. This is to ensure that the opening balance of the Retained earnings shows as being restated.

Current Entry: 14 [New] [Delete] [Renumber] [Left Arrow] [Right Arrow]

Created By: Admin (A)

Period Type: Yearly Date: 30/09/2013 Reference: [Dropdown]

Type: Normal adjusting Accounts: Financial Apply To: N/A

Misstatement: Factual Balance: N/A

Description: Prior year adjustment to AR - opening balances

Recurrence: None Recurring Reversing [Advanced...]

Calculated

Number	Name	Total Amount
1210	Accounts receivable	100,000.00
CW1	Prior year adjustments	-100,000.00

Showing the prior period adjustment in the Jazzit financial statements

- 1) Open the Jazzit financial statements and jump to the Statement of Retained Earnings.
- 2) Check the **'Prior period adjustments'** check box to turn the section on.

GIFI L/S 2013 2012

Prior period adjustment (cannot be combined with I/S)

RETAINED EARNINGS - BEGINNING OF YEAR (N#)		2013	2012
As previously reported (N#)		\$ 5,152,782	\$ 4,479,428
Change in accounting policy for investments (N#)		-	-
Change in accounting policy for income tax (N#)		-	-
Change in accounting policy for joint ventures (N#)		-	-
Change in accounting policy for subsidiaries (N#)		-	-
Prior period adjustments (N#)	3720 TT	100,000	-
As restated (N#)		5,252,782	4,479,428
NET INCOME FOR THE YEAR (N#)		991,621	773,354
		6,144,403	5,252,782
DIVIDENDS PAID (N#)	3701 TT	(15,000)	-
DIVIDENDS DECLARED (N#)	3700 TT	-	-
PREMIUM ON REDEMPTION OF SHARES (N#)	3741 TT	-	-
REFUNDABLE INCOME TAXES PAID (N#)	3740 TT	-	-
REFUNDABLE INCOME TAXES RECOVERED (N#)	3740 TT	-	-
RETAINED EARNINGS - END OF YEAR (N#)		\$ 6,229,403	\$ 5,252,782

- You'll note that the **'As previously reported'** balance has been automatically populated using the mapped information for map number **'274.3660'**. This balance represents the retained earnings balance as reported BEFORE the prior period adjustment.
- You also have the ability to manually enter the balances. The override indicator (red dot) will show that the

value has been manually changed. Right – click on the overridden cell to restore the original balance.

- 3) The posted journal entry amount(s) will show next to the **‘Prior period adjustments’** description if you have mapped the account correctly (see page 2).
- 4) The retained earnings for the current year will be restated by adding the prior period adjustment to the **‘As previously reported’** balance.
- 5) The prior year closing retained earnings for the year should equal the **‘As restated’** balance in the current year.

	GIFI	L/S	2013	2012
<input checked="" type="checkbox"/> Prior period adjustment (cannot be combined with VS)				
RETAINED EARNINGS - BEGINNING OF YEAR - (N#)				
As previously reported (N#)			\$ 5,152,782	\$ 4,479,428
Change in accounting policy for investments (N#)			-	-
Change in accounting policy for income tax (N#)			-	-
Change in accounting policy for joint ventures (N#)			-	-
Change in accounting policy for subsidiaries (N#)			-	-
Prior period adjustments (N#)	3720	TI	100,000	-
As restated (N#)			5,252,782	4,479,428
NET INCOME FOR THE YEAR (N#)				
			991,621	773,354
			6,144,403	5,252,782
DIVIDENDS PAID (N#)	3701	TI	(15,000)	-
DIVIDENDS DECLARED (N#)	3700	TI	-	-
PREMIUM ON REDEMPTION OF SHARES (N#)	3741	TI	-	-
REFUNDABLE INCOME TAXES PAID (N#)	3740	TI	-	-
REFUNDABLE INCOME TAXES RECOVERED (N#)	3740	TI	-	-
RETAINED EARNINGS - END OF YEAR - (N#)			\$ 6,229,403	\$ 5,252,782

- 6) You can use the drop-down menu located at the top of each statement to add the **‘Revised/Restated’** description to the prior year column headings (this can be found under the ‘Statement settings’ folder above each statement when using the 9 columns statements).

Balance Sheet -
September 30, 2013 -
 (Unaudited)
 2 year classified b/s -
 Entity: [] Titles left [] Show rounding [] Select page [] [] []

	GIFI	L/S	2013	2012
ASSETS				
CURRENT				
Cash (Note 17)	1000	A	\$ 2,843,229	111,1000
Term deposits (N#)	1181	B	-	113,1181