A TECHNICAL REPORT

STUDENT INDUSTRIAL WORKING EXPERIENCE SCHEME

(SIWES)

Held at

ILORON MICROFINACE BANK LIMITED, EXIT GATE BABOKO

MARKET O[[HIWANU L.G.E.A SCHOOL, P.M.B 1577, KUNTU ILORIN

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DEDICATION

This report is dedicated to ALMIGHTY ALLAH who in his infinite mercy, saw me through the student industrial work experience scheme (SIWES) and to my beloved and exceptional mother who have been financially responsible for my academic success thus far and also for her moral support, my sisters and also to everyone at that in one way or the other improved my knowledge, experience and technical know-how within these three months.

ACKNOWLEDGEMENT

Am grateful to God almighty for his endless protection and provision, my mother, for are constant love and care and also her reminder on my purpose in life, my spiritual director Rev. Fr Hubert okpara for his endless advice and support since I got into the walls of the university.

Also I wish to acknowledge the contributions of every staff at Ilorin Micrifinance Bank Limited Exit Gate Baboko Market Opp Hiwanu L.G.E.A School, P.M.B 1577Kuntu Ilorin Kwara State., for their patience, support and encouragements during this learning process, I in a special way acknowledge my Supervisor, Mrs Alikali Yusuf Shekinat,. Thank you all very much; I will never forget your contributions.

ABSTRACT

The S.I.W.E.S program is generally and principally geared towards the orientation and building of the students to the industrial, domestic demands and needs of their course of study. In the light of my three months student industrial work experience scheme with Ilorin Micrifinance Bank Limited Exit Gate Baboko Market Opp Hiwanu L.G.E.A School, P.M.B 1577Kuntu Ilorin Kwara State, I have come to understand and appreciate the importance of this S.I.W.E.S program, it creates a good platform for students to bridge the gap between the theoretical knowledge acquired in school and the practical work situation of an organization, thus fulfilling the aim and objectives of the scheme. Working at Ilorin Micrifinance Bank Limited Exit Gate Baboko Market Opp Hiwanu L.G.E.A School, P.M.B 1577Kuntu Ilorin Kwara State which is without doubt one of the biggest and most formidable banks in the Africa's finance and banking sector has helped my experience and technical know-how in a massive way.

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CHARPTER ONE

1.0 INTRODUCTION

This technical report is a concise documentation of my exposure and experience gained in the area of banking and financial management during my industrial work experience scheme {SIWES} with Ilorin Micrifinance Bank Limited Exit Gate Baboko Market Opp Hiwanu L.G.E.A School, P.M.B 1577Kuntu Ilorin Kwara State. The program commenced on August and was concluded in November,

1.1 HISTORICAL DEVELOPMENT OF SIWES

The student work experience scheme{SIWES} came into establishment of the industrial training fund[ITF] under degree No 47 of 8th October, 1971, in a bid to boost indigenous capacity for the nation's industrial need, the fund in its policy statement No. 1 published in 1973 inserted a clause dealing with the issue of practical skills which states that "the seek will seek to work out cooperative machinery with industry, where student in institution of higher learning may acquire training in industry or mid-career attached by contributing to the allowance payable to the student".

The fund identified a great gap between theory and practice of engineering and technology of higher learning and has come to an effort to eliminate this gap. The fund initiated work experience scheme {SIWES} in 1973. SIWES therefore is a skill training program designed to expose and prepared students of universities, polytechnics and college of education to real life work situation including environmental, technical and business student in higher institution of training in Nigeria.

1.1.1 AIMS AND OBJECTIVES OF SIWES

- To provide student with an opportunity to applied their theoretical knowledge in real work situation thereby bridging the gap between theories and practical

- To provide avenue for students for institutions in higher learning to acquire industrial skills and experience in their course of study while in school.

- To expose students to work methods and techniques in handling equipment and machineries that may not be available in some educational institutions.

- To enhance and strengthened employers involvement in the education process and preparing student for employment in the industries.

1.1.2 THE SCOPE OF THE SCHEME

The scope of this program varies from one department to the other. The students in Financial Management Technology department, FUTO, observe this program in 200level second semester for a period of three [3] months. This is observed by all institution of higher learning offering Financial Management Technology and related disciplines.

The scheme therefore offer students a chance to be out there in the country economic system and observe, first hand, what is been taught in lecture halls. This scheme gives the trainee more insight on how their course of study is been applied outside the classroom.

1.1.3 CONTRIBUTION OF THE SCHEME

The scheme is making a tremendous impact in the economy and technological development of the country especially on human resources development. An elaborated summary of some of the contribution of the scheme are as follow;

- It offers the students an opportunity to associate themselves with workers at various levels in the industries.
- It has contributed to the improved quality of skilled man-power in Nigeria.
- It prepares the students so that they can fit into employments in the industries.

It creates more relationship between institutions and industries.

- It assures the institution that the qualities of student produced by them are to standard after going through the SIWES program as it forms part of the assessment of the award of certificate and degree.

1.1.4 PROBLEMS AFFECTING THE SCHEME

SIWES has encountered a lot of problem in recent times, and this has affected its growth and development. Below are some of the problems;

- There is inadequate funding system which reduces the student capability at work since they are not well motivated

- Supervision sometimes is not carried out as scheduled due to inadequate motivations which make student unserious and relax to work.

- Employers hardly have time to impact knowledge to the student.

- IT trainees are usually treated like normal staff, been over-worked and are been paid nothing or less for their efforts

CHAPTER 2

2.0 DETAILED DISCRITPTION OF THE COMPANY

Ilorin Micrifinance Bank Limited Exit Gate Baboko Market Opp Hiwanu L.G.E.A School, P.M.B 1577Kuntu Ilorin Kwara State Nigerian multinational financial institution, that offers Online/Internet Banking, Retail Banking, Corporate Banking, Investment Banking and Asset Management services, with its headquarters based in kwara state.

Ilorin Micrifinance Bank Limited was incorporated as a limited liability company licensed to provide commercial and other banking services to the Nigerian public in 1990 and commenced operations in February 1991.

In September 1996, Ilorin Micrifinance Bank Limited became a publicly quoted company and won the Nigerian Stock Exchange President's Merit award. In February 2002, the Bank was granted a universal banking license and later appointed a settlement bank by the Central Bank of Nigeria (CBN) in 2003.

2.1 SCOPE OF SERVICES

Ilorin Micrifinance Bank Limited offers unlimited services that are contained in the banking sector covers virtually all aspect of the financial and banking sector, services ranging from, savings transactions, cash withdrawal services loans, funds transfer, inter-bank banking, bill payments, visa application services. Along with other unnamed products and services

2.2 PROFESSIONAL SERVICES

Guaranty trust bank professional services include;

- Retail banking
- Commercial banking
- Cooperate banking
- E-banking.

2.3 SCOPE OF WORK

During my time with Ilorin Microfinance, I was assigned to the TRANSACTION SERVICE GROUP (TSG), although my employment stated CUSTOMER INFORMATION SERVICES (CIS), But due to the lack of man power at TSG I had to cover for the bank in that area was given certain responsibilities and duties to undertake, and these responsibilities include;

2.3.1 ENROLMENT OF BIOMETRIC VERIFICATION NUMBER EXERCISE (BVN)

I was tasked with the enrolment of customers for the ongoing bvn exercise. This required the inputting of their data into a platform created for the enrolment and also the capture of their biometrics signature which includes the capture of finger print and facial recognition. All forms of enrolled application is been given to the operation head at the ended of each of which she has to approve for the biometric verification number (bvn) to be generated in 48 working hours.

2.3.2 COLLECTION OF BULK CASH

Working at the TRANSACTION SERVICE GROUP (TSG) requires been involved with cash transactions. On days when I had little or no biometric verification number enrolment to attend to, I was always assigned to cash collection point by my supervisor, because of my assignment to the bulk room I collected cash deposit if a #100,000 and above. By standard of the bank before a transaction is signed, stamped, time stamped and posted, analysis must be done on it; making sure the date is there and correct, amount in words and figure, account number and name and depositor phone number. I was given a hard cover note at the begin of my IT program which I was to use to record all cash transactions that I made during every working day, the total amount of transactions recorded must always be balanced with the total cash I moved to vault along with the pieces. This book is always signed at the end of each day after the vault has been closed by both my supervisor and financial officer.

2.3.3 MAKING OF REQUISITION

This was instructed to m by my supervisor to be done on Mondays except on case when instrument as it is been called has been used up in the banking hall. Making of requisition entails me to write the instruments needed in the banking hall in a requisition form which i have to sign on then send to my financial officer to sign on also before giving it to the admin officer of the bank in other for the requested instruments to be made available. These instruments includes **deposit slips, transfer forms, transaction tickets, transaction slips, withdrawal slips, cash wrappers, rubber bands, A4 size papers etc**.

CHAPTER 3

INTRODUCTION TO FINANCIAL MANAGEMENT

3.0 What is FINANCIAL MANAGEMENT?

FINANACIAL MANAGEMENT is the management of financial resources – how to best find and use investments and financing opportunities in an ever-changing and increasingly complex environment.

3.1 Why should CS majors study FM?

First of all, financial management is a core life skill; almost everyone needs to understand some concepts of finance to manage his/her business & personal finances.

It is generally and quite rightfully said, "Money makes the world go round". Finance is like a life-blood for a company. Even the best of the companies and CEOs go out of the business because of poor financial management policies.

Management Information Systems (MIS) and Information Technology (IT) are just a part of the overall corporate strategy which runs on finances, the major resource. So the computer sciences professionals need to have an understanding of the financial concepts to understand and contribute to the overall corporate strategy.

Financial Engineering is an upcoming field that requires people with CS, math/science, and finance background. Financial engineering is the application of engineering methods to finance. One important area of study is the design, analysis, and construction of financial contracts to meet the needs of enterprises. This field is experiencing an increased demand for professionals, especially those who are trained in both the underlying mathematics/computer technologies and finance.

3.1.1 Definitions

Finance:

Finance is the science of managing financial resources in an optimal pattern i.e. the best use of available financial sources. Finance consists of three interrelated areas:

1) Money & Capital markets, which deals with securities markets & financial institutions.

2) Investments, which focuses on the decisions of both individual and institutional investors as they choose assets for their investment portfolios.

3) Financial Management, or business finance which involves the actual management of firms.

3.2 Major Areas & Concepts of Financial Management

Following are some of the important areas and concepts of financial management, which would be discussed in detail in the lectures to come.

Analysis of Financial Statements:

Analysis of financial statement is one of the most common techniques of financial analysis, in the financial performance and financial health of a company is analyzed based on its past performance.

The following financial statements are used in the analysis process.

• Profit & Loss Statement or Income Statement

Income statement reflects the operating efficiency or profitability of a company as a result of its operations along with the net profit available to the shareholders for a given year (usually one accounting period). This statement provides the analyst with some insight into the financial performance of the company.

• Balance Sheet

Balance Sheet is a snap-shot of an organization's financial health at a particular time. It shows what assets are owned by the business and the sources of acquiring these assets.

Balance Sheet – An FM Perspective (Fig.1)

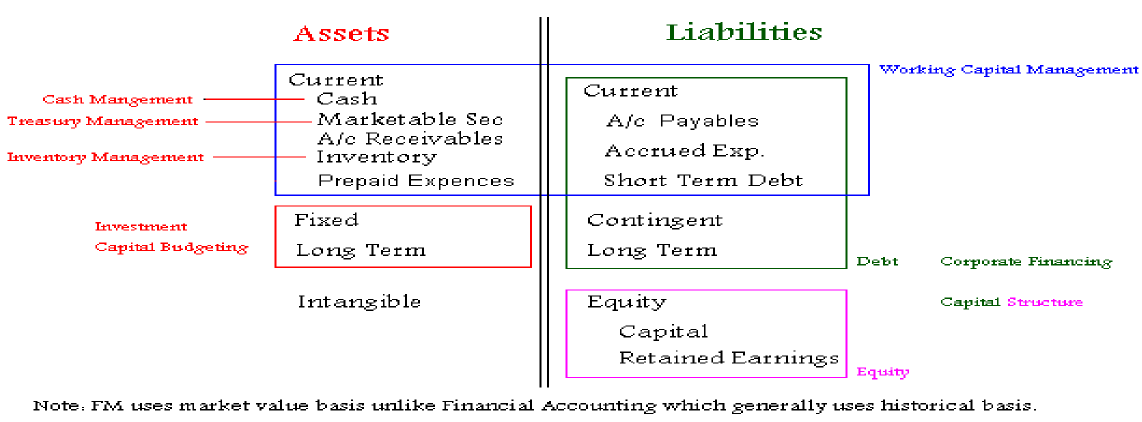

Fig. 1

• Statement of Shareholders' equity

Statement of shareholders' equity provides the share of the owners in the business.

• **Statement of Cash Flows**

Statement of cash flows explicitly reflects the cash movement (inflows and outflows) during the operations in an accounting period.

Taken together, these statements give an accounting picture of the firm's operations and financial position. Financial statements report what has actually happened to the assets, earnings, and dividends over the years. The analysis of the information contained in these statements help management of the organization to evaluate the performance and activities of the concern; it also helps the investors and creditors to have an idea of the profitability potential and creditworthiness of the business.

Investment Decisions & Capital Budgeting:

Investment decisions are the most critical as they usually involve huge sums of money and these decisions are likely to bring prosperity or doom to a business. A company's future income depends on how much investment is made, in what type of assets, and how these assets add to the overall value of the company.

Capital budgeting is a term strictly related to investment in fixed assets; here, the term capital refers to the fixed assets that are used in production, while budget is a plan which details projected cash inflows and outflows over some future period. The following concepts and techniques are employed while analyzing investment decisions.

- Interest rate formulas
- Time Value of Money
- Discounted Cash Flows
- Net Present Value
- Internal Rate of Return

Risk & Return:

Investors, individual or institutional, invest their money with the expectations of earning a return on their investment. While investors wish and attempt to earn maximum return, they are constrained by risk. How the risks and returns are related and how do investors make a choice of their portfolios is important for investment decision making. Following concepts and theories would be discussed while discussing the risk-return choices of the investor:

- Uncertainty
- Risk
- Portfolio Theory
- Capital Asset Pricing Model

Corporate Financing & Capital Structure:

When a firm plans to expand, it needs capital or funds. Acquisition of funds is considered to be a primary responsibility of a finance department in an organization. There are numerous ways to acquire funds, i.e., finances can be raised in the form of debt or equity. The proportion of debt and equity constitutes the capital structure of the firm. Financial experts attempt to find a combination of debt and equity that could increase the overall value of the company, i.e., they try to find the optimal capital structure. The following concepts would be used to understand how an optimal capital structure could be attained.

- Cost of Capital
- Leverage
- Dividend Policy
- Debt Instruments

Valuation:

Asset or company valuation is important not only for financial managers, but also for creditors and investors. It is important to know the value of the company or its assets to make important financing and investment choices. Different valuation techniques and factors that influence the value of a company or its financial instruments would be discussed in this section.

- Share
- Bond
- Option
- Corporate

Working Capital & Inventory Management: Working capital and inventory management pertains to the effective management of current assets. As we will see, an optimal and effective utilization of working capital and inventory increases the operating efficiency of the firm.

International Finance & Foreign Exchange: With the increasing importance of international trade and global markets, the role of international finance has increased manifold. In a global environment, the finance managers have more choices pertaining to investing and financing than ever before. However, it is important to understand the implications of working in a global environment, since fluctuations in the currency rates can convert a good financing or investment decision into a bad one. This section of the course would discuss the international financial environment and the financial implications of working in a global environment.

3.4 Internal and External Business Environment

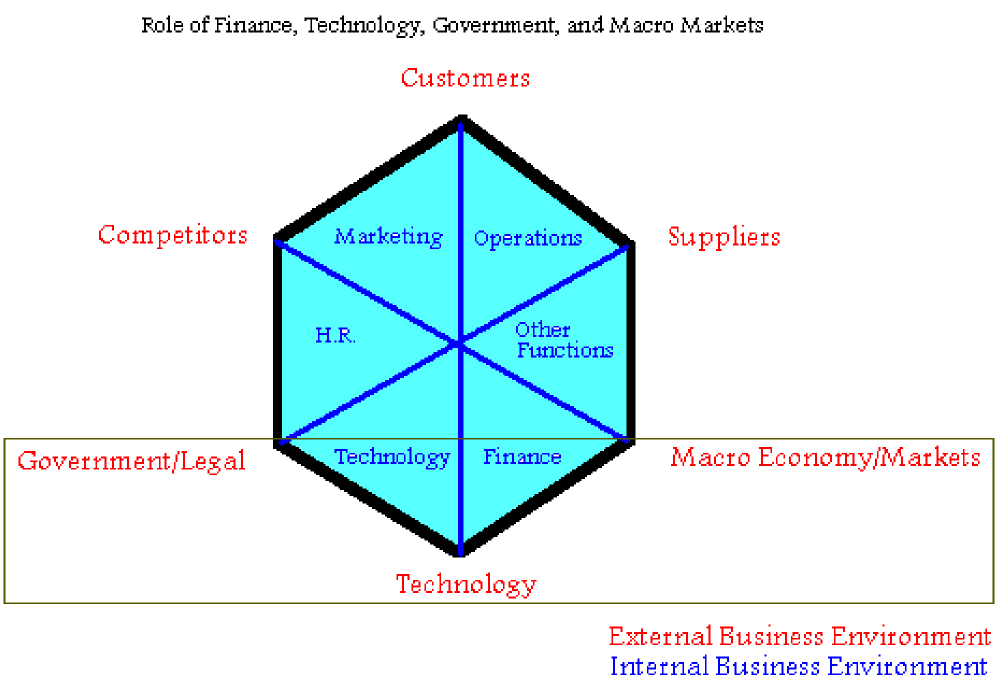

Fig.2

Internal Business Environment:

Internal environment of business normally consists of the following.

I. Finance

ii. Marketing

iii. Human Resources

iv. Operations (Production, Manufacturing)

v. Technology

vi. Other Functions (Logistics, Communications)

External Business Environment:

The following business environment factors outside an organization have a profound effect on the functions and operations of an organization.

I. Customers

ii. Suppliers

iii. Competitors

iv. Government/Legal Agencies & Regulations

v. Macro Economy/Markets:

vi. Technological Revolution

An analysis which is used in a business is called **SWOT** Analysis. SWOT is an acronym where

S stands for Strengths

W stands for Weaknesses

O stands for Opportunities

T stands for Threats

Strengths and weaknesses are within an organization, i.e., they pertain to the internal environment of the organization.

Opportunities and threats, on the other hand, pertain to the external environment, i.e., outside the organization.

3.5 Financial Markets

Capital Markets:

These are the markets for the long term debt & corporate stocks.

Stock Exchange:

A stock exchange is a place where the listed shares, Term finance certificates (TFC) and national investment trust units (NIT) are exchanged and traded between buyers and sellers.

Long term bonds:

Long term government & corporate bonds are also traded in capital markets.

Money Markets

Money market generally is a market where there is buying and selling of short term liquid debt instruments. (Short term means one year or less). Liquid means something which is easily en-cashable; an instrument that can be easily exchanged for cash. Following financial instruments are traded in money markets.

Short term Bonds

Government of Pakistan: Federal Investment Bonds (FIB), Treasury-Bills (TBills)

Private Sector: Corporate Bonds, Debentures

Call Money, Inter-bank short-term and overnight lending & borrowing

Loans, Leases, Insurance policies, Certificate of Deposits (CD's)

Badlah (money lending against shares), Road-side money lenders

Real Assets or Physical Asset Markets

Following are the active markets of real and physical assets in Pakistan

- Cotton Exchange, Gold Market, Kapra Market
- Property (land, house, apartment, warehouse)
- Computer hardware, Used Cars, Wheat, Sugar, Vegetables, etc

CHAPTER 4

4.0 OBJECTIVES OF FINANCIAL MANAGEMENT, FINANCIAL ASSETS AND ANALYSIS OF FINANCIAL STATEMENTS

In this lecture, we would discuss the differences that exist among Financial Management, Economics & Financial Accounting disciplines.

• **Objective of Economics:**

The objective of economics, as a subject, is profit maximization; however, the scope of economic profit maximization is vast and loosely defined. In economics, we can talk about profit maximization for an individual, the whole society, or a particular class or group. We can also talk about profit maximization for the whole world in global terms. In social economics, we may study the social profit maximization for the societies, whereas, in capitalistic economics we may study individual or company's profit.

• **Objective of Financial Management (FM)**

In comparison, financial management is more focused. The objective of financial management, specifically, is to maximize the shareholders wealth in the present terms.

Financial practitioners usually use the discounting and the net present value techniques while calculating the increase in the wealth of shareholders.

• **Objective of Financial Accounting (FA)**

The objective of financial accounting is to collect accurate, systematic, and timely financial data and other financial information, and to compile and consolidate it in an organized and systematic way, according to the principles and rules of accounting, for reporting purpose.

The financial managers use these reports to assess the financial position of the company through various financial management tools and then the financial position can be compared to, or benchmarked against, the industry norms. The four different financial statements used for the purpose of reporting and analysis are

1. Balance Sheet
2. P/L or Income Statement
3. Cash Flow Statement
4. Statement of Retained Earnings (or Shareholders' Equity Statement)

In financial accounting, assets are recorded on the basis of historical costs in the balance sheet, i.e., the assets are recorded at their original purchase price. Of course, the depreciation on the asset is duly subtracted from its original value as the asset remains in use of the business.

However, in financial management, book value is seldom used and financial managers consider the market value and the intrinsic value of assets.

Market value may be defined as the value currently prevailing in the market or the value at which the sellers are ready to sell, and buyers are ready to buy a particular asset.

Intrinsic value or the *fair value* is calculated by summing up the discounted future cash flows.

In Financial accounting, we followed the principle of accrual accounting in which expenses & incomes are rerecorded when they incur. In Financial management, we will primarily be interested in cash & cash flows. In Financial management, we will use cash as primary source for calculating value, although the accrual data would also be useful for analyzing a firm's financial position.

Before getting into details, it is important to understand a few concepts that would be frequently used throughout the course.

4.1 REAL ASSETS AND FINANCIAL ASSETS (SECURITIES)

Real Assets:

Real assets are tangible assets that have physical characteristics. For instance, land, house, equipment, car, wheat, fruits, cotton, computers, etc., are different kinds of real assets.

Securities:

Security, also known as a financial asset, is a piece of paper representing a claim on an asset.

Securities can be classified into two categories.

4.2 Different types and characteristics of financial assets and the similarities and differences among them

Securities:

Security, also known as a financial asset, is a piece of paper representing a claim on an asset.

Securities can be classified into two categories.

Direct Securities: Direct securities include stocks and bonds. While valuing direct securities we take into account the cash flows generated by the underlying assets.

Discounted Cash Flow (DCF) technique is often used to determine the value of a stock or bond.

Indirect Securities: Indirect securities include derivatives, Futures and Options.

The securities do not generate any cash flow; however, its value depends on the value of the underlying asset.

Bonds:

Bonds represent debt. The important features of bonds are given as under.

Internationally, bonds are the most common way for companies to raise funds.

• A bond is a long-term debt contract (on paper) issued by the borrower (Issuer of the Bond i.e., a company that wishes to raise funds) to the lenders (bondholders or Investors which may include banks, financial institutions, and private investors).

• Bonds issued by a company are usually shown on the liabilities side of the Balance Sheet.

• A Bond requires the borrower to pay a pre-determined amount of interest regularly to the lender (bondholder). The interest rate or the rate of return on a bond can be Fixed or Floating. If an investor purchases a bond which is offering a rate of 10 % for the life of the bond, the rate would be fixed at 10 percent. However, if the interest rate on the bond is tied to the market interest rates, the rate of interest would be floating. The floating rate implies that the interest rate would fluctuate with any change in the market interest rate.

Types of Bonds:

• Debentures: Unsecured – no asset backing

• Mortgage Bond: Secured by real property i.e. Land, house

• Others: Eurobond, Zeros, Junk, etc.

The details on these different types of bonds would be discussed in later lectures.

Stocks (or Shares):

Stocks (or Shares) are paper certificates representing ownership in a business. Therefore, if a company has issued 1 million shares and an investor owns 1 share only, he is a part owner (or shareholder) of the company. Stocks or shares are represented in the equity section of the balance sheet. A stock certificate is perpetuity, i.e., it lasts as long as the company does. Shareholders have a residual claim (last claim) on whatever net income (or profit) and assets are left over after the bondholders have been fully paid off. It is the most common source of

raising funds under Islamic Shariah. Shares are traded in Stock market e.g. Karachi Stock Exchange (KSE), Lahore Stock
Exchange (LSE) & Islamabad Stock Exchange (ISE).

Difference between Shares & Bonds:

The main difference between shares and bonds is that shares are representation of ownership in a company while bonds are not representative of ownership.

The second difference is that shares last as long as the company lasts where as bonds have limited life.

Another difference is that the return on a bond is predetermined, i.e., the investor knows in advance how much return he would get from a bond. However, a stockholder cannot be certain about the return on a stock investment, since the dividends may or may not be paid in a certain year or the percentage of dividends announced may vary.

3.3 Analysis of Financial Statements: A company's financial statements need to be studied for signs of financial strengths and weaknesses and then compared to (or benchmarked against) the industry. Before getting into the details of the financial management techniques, we would briefly revise some of the accounting concepts, which are going to help us in comprehending those analysis techniques.

Basic Financial Statements:

There are four basic financial statements that are prepared by the financial accountants for the use of the managers, creditors and investors of the company. These statements are

a. Balance Sheet

b. P/L or Income Statement

c. Cash Flow Statement

d. Statement of Retained Earnings (or Shareholders' Equity Statement)

The concepts that we are going to discuss here in reviewing financial accounting concepts are Fundamental Accounting Equation and Double Entry Principle.

• Assets +Expense = Liabilities + Shareholders' Equity + Revenue

(Note: Expense & Revenue are Temporary P/L accounts – the others are Permanent Balance Sheet
Accounts)

• Left Hand Items increase when debited. Right Hand items increase when credited.

• For every journal entry, the Sum of Debits = the Sum of Credits

Balance Sheet:

The following facts about balance sheet are also going to help us in understanding the financial statements analysis process.

– A balance sheet is a ‘static snapshot’ at one point in time (therefore the consolidated data available is vulnerable to inventory and cash swings, i.e., if the balance sheet of a firm is showing low inventory and high cash position at the year ending when the balance sheet is prepared, the company may buy excessive inventory against cash the very next day. The balance sheet prepared a day earlier would not report the new transaction and the latest financial position of the company would not be known to the analyst, unless the company updates him on that.)

– Balance sheet items or accounts are ‘permanent accounts’ that continue to accumulate from one accounting cycle to the next.

– Balance sheet items are recorded on historical cost basis, i.e., the balance sheet neglects any increase in value of assets resulting from inflation and reports assets and liabilities at their book value. It is a big limitation for financial analysts, since a useful analysis could only be made by considering the assets and liabilities at their market value rather than book value. Nevertheless, there are some approaches by which we can solve this problem. Constant rupee approach is one such remedy.

– Constant Rupee Approach: In constant rupee approach, two balance sheets of the same company for different times are compared at a specific time and inflationary adjustments are made.

• **Assets (Left Hand Side):**

Having revised certain concepts and limitations of financial accounting process and financial statements, we would now have a brief overview of the items that appear on the left-hand side of the balance sheet, known as assets.

– Assets are economic and business resources that are used in generating revenue for the organization: They can be tangible (inventory) or intangible (patent, brand value, license). Some assets are classified as current (cash, accounts receivable) and others are fixed (machinery, land, and building). There are also long-term assets (property, loan) and contingent assets, the value of which can only be assessed in future (legal claim pending, option).

– Current Assets = Cash + Marketable Securities + Accounts Receivable + Pre-Paid Expenses + Inventory

– The accounts receivable aging schedule is a listing of the customers making up total accounts receivable balance. Most businesses prepare an accounts receivable aging schedule at the end of each month. Analyzing your accounts receivable aging schedule may help you identify potential cash flow problems.

– Inventory value (at any instant in time) is a very controversial figure which depends on inventory valuation methodology (i.e. FIFO, LIFO, and Average Cost) and Depreciation Method (i.e. Straight Line, Double Declining, and Accelerated). Companies have the flexibility that they can use one methodology for preparing the financial statements & the different methodology for tax purposes.

• **Liabilities (Right Hand Side):**

The right hand side of the balance sheet represents liabilities.

– Liabilities are sources which are use to acquire the resources or liabilities are obligations of two types:

1) Obligations to outside creditors and

2) Obligations to shareholders known as Equity.

– Liabilities can be short term debts, long term debt, equity, retained earnings, contingent, unrealized gain on holding of marketable securities

– Current Liabilities = Account Payables + Short Term Loans + Accrued Expenses

– Net Working Capital = Current Assets – Current Liabilities

– Total Equity = Common Equity + Paid In Capital + Retained Earnings (Retained Earnings is NOT cash always)

– Total Equity represents the residual excess value of Assets over Liabilities: Assets – Liabilities = Equity = Net Worth

– Only cash account represents real cash which can be used to pay your bills!!

Profit & Loss account or Income Statement:

– An income statement is a "flow statement" over a period of time matching the operating cycle of the business, which reports the income of the firm.

– Generally, Revenue – Expense = Income

– Right hand side receipts (revenues) are added. Left hand side payments (expenses) are subtracted.

– P/L Items or Accounts are 'temporary' accounts that need to be closed at the end of the accounting cycle.

– Sales revenue – Cost of Goods Sold = Gross Profit (Revenue)

– Cost of Goods Sold is a very controversial figure that varies depending on Inventory Valuation Method (i.e., FIFO, LIFO, Average Cost) and Depreciation Method (Straight Line, Double Declining, Accelerated). Depreciation is treated as an expense (although it is non-cash)

– Gross Revenue – Admin & Operating Expenses = Operating Revenue

– Operating Revenue – Other Expenses + Other Revenue = EBIT

– EBIT – Financial Charges & Interest = EBT Note: Leasing Treatment

– EBT – Tax = Net Income

– Net Income – Dividends = Retained Earnings

– Net Income is NOT cash (it can't pay for bills)

Cash Flow Statement: A cash flow statement shows the cash position of the firm and the way cash has been acquired or utilized in an accounting period.

A cash flow statement separates the activities of the firm into three categories, which are operating activities, investing activities and financing activities.

• Operating Cash Flow Statement can be obtained by using two approaches:

1) Direct

2) Indirect.

A cash flow statement can be derived from P/L or Income Statement and two consecutive year Balance Sheets.

• A cash flow statement is not prepared on accrual basis but rather on cash basis: Actual cash receipts and cash payments.

• The net income is obtained from the Income Statement of a period of time matching the operating cycle of the business. Generally:

Revenue – Expense = Income

In order to arrive as the cash flows resulting from operating activities Increases in current assets are cash payments (-), i.e., cash outflow

Increases in current liabilities are cash receipts (+), i.e., cash inflow

Right Hand Side Receipts are added.

Left Hand Side payments are subtracted

Statement of Retained Earnings or Shareholders' Equity Statement

Total Equity = Common Par Stock Issued + Paid In Capital + Retained Earnings

(Retained Earnings is the cumulative income that is not given out as Dividend – it is NOT ca

CHAPTER 5

5.0 CONCLUSION

In conclusion, from my experience, it is revealed the importance of the S.I.W.E.S program for tertiary student, not only for the reason of keeping their selves busy, but for the enclosure it brings to them. The S.I.W.E.S programs gives the student the first hand experience of what is been taught in lecture halls, thus improving, enhancing and also giving the student a broader knowledge and also creating an opportunity to maximize them through the practice of the supposed course.

5.1 RECOMMENDATION

Based on the findings of this study the following recommendations are made:

- Tertiary schools should have an evaluation test after the S.I.W.E.S program to check on the job satisfaction level of their students so as to know the factors/necessities lacking in the industries for S.I.W.E.S students.
- Tertiary schools should organize a seminar for students after their S.I.W.E.S program for them to discuss their experience.
- Schools should from time to time recommend outstanding students for IT employment.