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Accounting Bookkeeping and Auditing Process Optimization at Shahrol & Co.

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ABSTRACT

This technical report details an operational study conducted within the Audit and Accounting Department of Shahrol & Co. (SNC), a chartered accounting and business consultancy firm. The study focuses on executing and optimizing two primary financial processes: accounting bookkeeping and financial auditing. For the bookkeeping phase, financial transactions from client bank statements were systematically recorded and classified using the UBS Accounting System, adhering strictly to the double-entry accounting equation (Assets = Liabilities + Equity). This process successfully generated critical financial reporting documents, including the trial balance, balance sheet, and income statement. Subsequently, the auditing process was executed to verify the accuracy of these financial statements. Methodologies such as reliability testing (unaudited trial balance verification), vouching, and third-party confirmation were implemented using Microsoft Excel to identify potential variances, fraud, and misstatements. The findings demonstrate that systematic bookkeeping paired with rigorous audit sampling ensures financial transparency and regulatory compliance. Overall, the integration of theoretical mathematical accounting with practical software applications significantly enhances the reliability of organizational financial reporting.

Keywords: Accounting bookkeeping, Auditing process, Double-entry system, Shahrol & Co., UBS Accounting System.

INTRODUCTION

Shahrol & Co. (SNC) is a chartered accounting and business consultancy firm incorporated on 17th September 2021, specializing in providing advisory and financial services to registered entities in Malaysia. The firm's core business involves accounting, audit taxation, outsourcing, and consultation, primarily assisting small businesses or companies lacking dedicated in-house accountants. SNC aims to share knowledge and experiences with entrepreneurs to assist clients in achieving business success.

The Audit and Accounting Department at SNC plays a crucial role in maintaining financial integrity, accuracy, and regulatory compliance for its clients. The Accounting Department handles daily financial operations, bookkeeping, and reporting, while the Audit Department is responsible for the independent verification and assessment of those records.

Accurate bookkeeping is the critical initial stage in the accounting process, providing the detailed records required for accountants to analyze a business's financial health. Conversely, auditing provides an objective assessment to ensure these financial statements are fairly stated. This study details the implementation of these two core tasks—systematic bookkeeping using accounting software and rigorous auditing procedures—to demonstrate how theoretical financial principles are applied to ensure organizational transparency.

THE PROPOSED METHOD

Accounting Bookkeeping Implementation

The bookkeeping process commenced by retrieving monthly bank statements from clients. All financial transactions, encompassing revenue inflows and expense outflows, were systematically recorded into the UBS Accounting Software (See Figure 1).

Transactions were classified into specific categories—assets, liabilities, equity, revenue, and expenses—and uploaded to individual ledger accounts. The process strictly utilized a double-entry system, ensuring that every credit entry had an equal and opposite debit entry to maintain the fundamental accounting equation: Assets = Liabilities + Equity. Finally, bank reconciliations were performed to compare the organization's records against bank statements, aiding in error detection.

Auditing Process Implementation

The auditing phase involved a systematic evaluation of client source documents, including official receipts, payment vouchers, bank statements, and cash books. Once documents were prepared and verified for completeness, a Reliability Test (RT) was performed. This test required entering the unaudited trial balance and beginning balances into Microsoft Excel to ensure closing balances from the prior year were correctly brought forward (See Figure 2 and Figure 3).

Audit working papers were then compiled to support the audit evidence. A critical method used was *vouching*, which verified documented accounting entries by inspecting physical or digital evidence (See Figure 4. Additionally, confirmation letters were issued to third parties (e.g., banks, debtors, creditors) to validate the figures.

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Figure 1

Detailed records entered into the UBS system

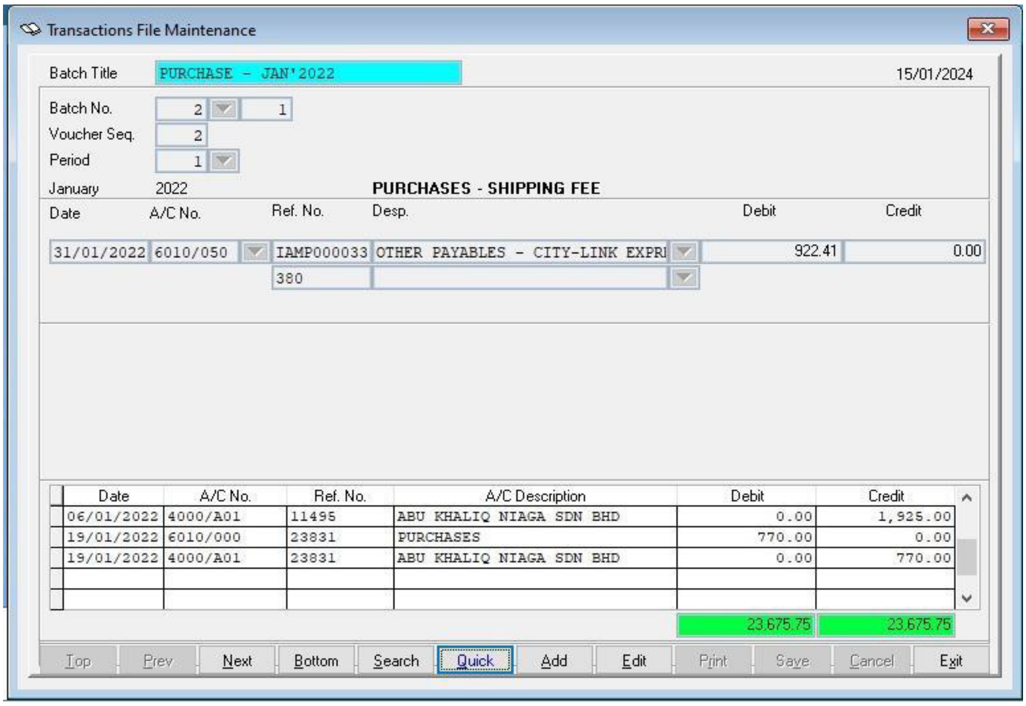

Figure 2

Insertion of opening balances for the Reliability Test

1	[redacted]						
2	*(Established in Malaysia under the Strata Management Act 2013 (Act 757))*						
3							
4	**RELIABILITY TEST**						
5	**FOR THE FINANCIAL YEAR 31 DECEMBER 2022**						
6							
7		**CLOSING BALANCE**		**OPENING BALANCE**			
8		**AS PER AUDITED 31.12.2021**		**AS PER CLIENT'S ACCOUNT 01.01.2022**		**DIFFERENCES**	
9	**PARTICULAR**	**DEBIT**	**CREDIT**	**DEBIT**	**CREDIT**	**DEBIT**	**CREDIT**
10	**PROPERTY, PLANT & EQUIPMENT**						
11	Office Equipment	706		706		-	
12	Acc. Deprn - Office Equipment		153		153	-	-
13	Equipment of Pump House	17,650		17,650			
14	Acc. Deprn - Equipment of Pump House		294		294		
15						-	
16	**CURRENT ASSET**					-	
17	Trade Receivables	88,281		88,281		-	
18	Other Receivables:					-	
19	Maybank Bhd (SC)	21,372		21,372		-	
20	Maybank Bhd (SF)	1,884		1,884		-	
21							
22	**CURRENT LIABILITIES**						
23	Trade Payables:						
24	Azmi & Co Sdn Bhd		161,070		161,070		-
25	Syarikat Air Negeri Sembilan		(15)		(15)		-
26	Syam & Co		5,310		5,310		-
27	Tenaga Nasional Berhad		-		-		-
28	U Mobile Sdn Bhd		61		62		(1)
29							
30	Other Payables:						-
31	Unidentified Receipts		450		450		-
32							
33	**FINANCED BY:**						-
34	Accumulated Surplus		(84,470)		(84,471)		1
35	Sinking Fund		47,040		47,040		-
88		129,893	129,893	129,893	129,893	-	-

WTB Working

Figure 3

Working Trial Balance

1	[redacted]											
2	(Established in Malaysia under the Strata Management Act 2013 (Act 757))				18,356	18,356						
3					447	4,118						
4	**WORKING TRIAL BALANCE**				17,909	14,238						
5	**FOR THE YEAR ENDED 31 DECEMBER 2022**											
6			-			-						
7		**AS PER CLIENT**		**ADJ**	**ADJUSTMENT**		**CLOSING BALANCE**		**INCOME STATEMENT**		**BALANCE SHEET**	
8	**PARTICULAR**	**DEBIT**	**CREDIT**	**NO.**	**DEBIT**	**CREDIT**	**DEBIT**	**CREDIT**	**DEBIT**	**CREDIT**	**DEBIT**	**CREDIT**
9	**PROPERTY, PLANT & EQUIPMENT**											
10	Office Equipment	706					706	<			706	
11	Acc. Deprn - Office Equipment		153	2		141		294	<			294
12	Equipment of Pump House	17,650					17,650	<			17,650	
13	Acc. Deprn - Equipment of Pump House		294	2		3,530		3,824	<			3,824
14												
15	**CURRENT ASSET**											
16	Trade Receivables	27,493					27,493	<			27,493	
17	Prepayment - Insurance			3	10,915		10,915	<			10,915	
18												
19	Maybank Bhd (SC)	15,129					15,129	<			15,129	
20	Maybank Bhd (SF)	1,884					1,884	<			1,884	
21												
22	**CURRENT LIABILITIES**											
23	Trade Payables:											
24	Azmi & Co Sdn. Bhd.		82,270					82,270	<			82,270
25	Syarikat Air Negeri Sembilan		(18)					(18)	<			(18)
26	Ty Pool Enterprise		3,500					3,500	<			3,500
27	U Mobile Sdn. Bhd.		123					123	<			123
28												
29												
30	Other Payables:											
31	Unidentified Deposit		440					440	<			440
32	Siti Tasnim Binti Dato Sulaiman		334					334	<			334
33	Syam & Co			1		2,364		2,364	<			2,364
34												
35	**FINANCED BY:**											
36	Accumulated Surplus		(84,470)					(84,470)	<			(84,470)
37	Sinking Fund		56,640					56,640	<			56,640

... CF-DIRECT 12 13 14 15 16 17 PPE 2023 19 20 21 IS-1 EXP WTB ADJ AWP B3 B3-1 B3-1-1

Figure 4

Sampling test requiring vouching methods

G16 Sampling:

	A	B	C	D	E	F	G	H	I	J	K	L
1	[redacted]											
2	YEAR/PERIOD ENDED :	FOR THE YEAR ENDED 31 DECEMBER 2022										
3	ACCOUNT :	REPAIR AND MAINTENANCE										
4												
5	NO	DATE	REF NO.	PAID TO/ RECEIVED FROM	AMOUNT (RM)	CLASSIFICATION	CHECK PV	CHECK RECEIPT / BILL	CHECK INVOICE / DEBIT NOTE / CREDIT NOTE	CHECK LEDGER / BANK STATEMENT / CASH BOOK	AUTHORIZATION	REMARKS
6	1	11-Feb-22	CI000090	MOHAMAD ZUL 'AFIF BIN MOHAMED MOSHIN	500.00	/	/	/	/	/	/	Simen konkrit (deposit) - Feb'22
7	2	22-Feb-22	CI000093	AMIRUL AMIN BIN AZALAN	2,500.00	/	/	/	/	/	/	Simen konkrit (second payment)
8	3	21-Mar-22	CI000113	SYAMSUL IKHMAL BIN JAMHARI	500.00	/	/	/	/	/	/	Motorbike parking paint wages
9	4	21-Mar-22	CI000114	SYAMSUL IKHMAL BIN JAMHARI	500.00	/	/	/	/	/	/	Fence paint wages (deposit)
10	5	20-Apr-22	CI000135	MD.MUZAMMIL	795.00	/	/	/	/	/	/	Roof licking, hall room, balcony roof licking
												Change the

T1 T1-1 T2 T2-1 T3 T3-1 T4 T4-1 T5 T5-1 T6 T6-1 T7 T7-1 T8 T8-1 T9 T9-1 T10 T10-1

EVALUATION AND RESULTS

Bookkeeping Outcomes and Financial Statements

The successful execution of the bookkeeping process using the UBS system generated three critical financial documents:

1. **Trial Balance:** Verified that total debits equaled total credits, providing an initial accuracy check (See Figure 5).
2. **Balance Sheet:** Summarized the financial position following the core accounting equation (See Figure 6).
3. **Income Statement (Profit & Loss):** Summarized the company's revenue and expenses to determine net profit or loss over the year (See Figure 7).

Closing these books allowed the business to accurately analyze its performance before resetting for the new reporting period.

Figure 5

Trial Balance for December 2022

TRIAL BALANCE - FOR THE MONTH OF DECEMBER 2022

[redacted] PAGE : 1

A/C NO.	A/C DESCRIPTION	YEAR-TO-DATE DEBIT	YEAR-TO-DATE CREDIT	MONTH-TO-DATE DEBIT	MONTH-TO-DATE CREDIT
1000/000	CAPITAL		1,000.00		
1050/000	RETAINED EARNING		1,863,015.59		
3010/000	BANK - CIMB A/C #4300	240.01		160.90	
3012/000	BANK - CIMB A/C #1024	278,034.84			211,841.23
3013/000	FIXED DEPOSIT - CIMB(TERM INVESTMENT ACC	489,760.28			
3014/000	BANK - MBB A/C #1725	1,077,116.10			
4005/050	AMOUNT DUE TO DIRECTOR - TAUFIK AZIZ	13,936.00			
4010/050	OTHER PAYABLES - UPM	4,000.00			
5000/000	SALES		2,060,984.58		251,023.80
6010/000	PURCHASES	1,784,636.10		439,450.00	
6010/050	PURCHASES - SHIPPING FEE	11,002.52		2,213.48	
8010/000	HIBAH		609.24		
9010/000	ADVERTISEMENT & MARKETING	100.00			
9015/000	BANK CHARGES	191.50		3.00	
9030/000	ELECTRICITY CHARGES	27,162.38		1,918.80	
9035/000	EPF CONTRIBUTION	26,994.00		3,048.00	
9045/000	MEDICAL	1,600.00			
9050/000	OFFICE EXPENSES	1,607.00			
9055/000	PERSONAL EXPENSES	10,900.00			
9060/000	PRINTING & STATIONERY	140.00			
9069/000	REFRESHMENT	80.00			
9071/000	REPAIR & MAINTENANCE	3,447.00			
9072/000	RENTAL AND MAINTENANCE OF WATER PURIFIER	1,588.00			
9075/150	SALARY & ALLOWANCES - STAFF	181,966.20		15,063.00	
9100/000	TELEPHONE & INTERNET CHARGES	5,612.48		1,007.85	
9110/300	PETROL, TOLL & PARKING	200.00			
9110/400	PUBLIC TRANSPORT FARE	195.00			
9114/000	UNIFORMS	5,100.00			
	TOTAL :	3,925,609.41	3,925,609.41	462,865.03	462,865.03

Figure 6

Balance Sheet as at 31 December 2022

[redacted]

BALANCE SHEET
AS AT 31/12/2022

PAGE : 1

	COST (RM)	ACC. DEPN. (RM)	BALANCE (RM)
FIXED ASSETS			
RENOVATIONS	253,250.00	202,600.00	50,650.00
FURNITURE & FITTING	16,680.00	11,848.00	4,832.00
STORE/ CAFE EQUIPMENT	6,901.00	4,140.60	2,760.40
MOTOR VEHICLE	9,900.00	1,980.00	7,920.00
	286,731.00	220,568.60	66,162.40
CURRENT ASSETS			
DEPOSIT & PREPAYMENT		45,048.00	
BANK - CIMB A/C #4300		240.01	
BANK - CIMB A/C #1024		278,410.19	
FIXED DEPOSIT - CIMB(TERM INVESTMENT ACC		489,760.28	
BANK - MBB A/C #1725		435,741.33	
CASH IN HAND		1,053,097.25	
		2,302,297.06	
CURRENT LIABILITIES			
TRACE CREDITORS	79,300.50		
AMOUNT DUE TO DIRECTOR	(781,333.89)		
OTHER PAYABLES	114.68	(701,918.71)	
NET CURRENT ASSETS			3,004,215.77
			3,070,378.17
FINANCED BY			
CAPITAL			
CAPITAL			26,000.00
RETAINED EARNING			3,044,378.17
			3,070,378.17
			3,070,378.17

Auditing Outcomes and Variance Detection

Through the preparation of audit working papers and the execution of vouching procedures, the completeness and accuracy of the financial data were successfully verified. During the process, discrepancies—such as an imbalanced cash flow statement for a management corporation client—were identified and rectified by tracing misunderstood transaction flows. The auditing process effectively highlighted potential errors and material misstatements, culminating in the preparation of a drafted audited report that was subsequently reviewed by the senior audit manager and firm partner before client approval.

Figure 7

Income Statement

[redacted]

TRADING AND PROFIT & LOSS ACCOUNT
FOR YEAR ENDING 31/12/2022

PAGE : 1

	YEAR-TO-DATE (RM)	%
SALES		
SALES	2,060,984.58	100.00
COST OF GOODS SOLD		
PURCHASES	1,795,638.62	87.13
GROSS PROFIT/(LOSS)	265,345.96	12.87
OTHER INCOMES		
HIBAH	609.24	0.03
	265,955.20	12.90
EXPENSES		
ADVERTISEMENT & MARKETING	100.00	0.00
BANK CHARGES	191.50	0.01
ELECTRICITY CHARGES	27,162.38	1.32
EPF CONTRIBUTION	26,994.00	1.31
SUBSCRIPTION FEE	0.00	0.00
INSURANCE & ROADTAX	0.00	0.00
LICENSE, REGISTRATION & TENDER	0.00	0.00
MEDICAL	1,600.00	0.08
OFFICE EXPENSES	1,607.00	0.08
PERSONAL EXPENSES	10,900.00	0.53
PRINTING & STATIONERY	140.00	0.01
REFRESHMENT	80.00	0.00
REPAIR & MAINTENANCE	3,447.00	0.17
RENTAL AND MAINTENANCE OF WATER PURIFIER	1,588.00	0.08
SALARY & ALLOWANCES	181,966.20	8.83
TELEPHONE & INTERNET CHARGES	5,612.48	0.27
TRAVELLING	395.00	0.02
UNIFORMS	5,100.00	0.25
UPKEEP OF MOTOR VEHICLES	0.00	0.00
WATER CHARGES	0.00	0.00
	266,883.56	12.95
NET PROFIT/(LOSS)	(928.36)	-0.05
RETAINED PROFIT/(LOSS) B/F	1,863,015.59	0.00
ADJUST TO RETAINED EARNINGS	0.00	0.00
RETAINED PROFIT/(LOSS) C/F	1,862,087.23	0.00

CONCLUSION

The operational tasks conducted at Shahrol & Co. bridge the gap between theoretical mathematical accounting and practical industry application. By systematically managing bookkeeping via the UBS Accounting System and executing rigorous audit tests through Microsoft Excel, the integrity of client financial statements was upheld. The application of management accounting techniques facilitated error detection, cost management, and reliable performance evaluation. However, a notable challenge encountered during the auditing process was the difficulty in acquiring timely evidence from clients, which occasionally delayed audit completion. For future improvements, it is recommended to implement stronger communication strategies and digital evidence-gathering portals to convince clients of the necessity of prompt documentation, thereby streamlining the overall auditing workflow.

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Conflict of Interest
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