UNIVERSITY OF THE WEST INDIES
Mona Campus

Financial Accounting – ACCT 1005(MS15D)

Financial Assets

- Financial assets include not only cash but also assets that can be easily converted into cash e.g. cash equivalents, S-T investments (marketable securities) and receivables.
- Financial assets are shown in the balance sheet at their current values.

Financial Asset		**Current Value**
1.	Cash	Face Amount
2.	Marketable Securities	Current Market Value
3.	Receivables	Net realizable value or Estimated collectible amount.

1. Accounting for Cash

Cash is the most liquid current asset; hence it is listed first in the balance sheet. Cash equivalents are liquid S-T investments that are said to safe and mature within 90 days of the date of acquisition. Cash equivalents are combined with cash in the balance sheet e.g. time deposits and certificates of deposit. To a business, cash includes coins and paper money, money on deposit in banks and any items that banks will accept for deposit e.g. cheques, money orders, travellers cheques and bank credit card sales.

Restricted Cash is cash that is air marked or set aside for a specific purpose e.g. for redemption of bonds on maturity. This cash is not available for paying current liabilities and is therefore not grouped with current assets but listed as an investment in the balance sheet.

Line of credit
An agreement between a bank and a business or an individual; the bank lends the business or individual money, up to a certain limit, in advance. This is normally given in the form of a chequing account. Liability is incurred only when the line of credit is used. The unused line of credit should be disclosed in the notes to the accounts.

Cash Management
Cash needs to be carefully managed and controlled.
Cash management

- Avoid excessive cash (idle cash)
- Accurately account for cash
- Prevent theft and fraud by implementing proper internal control system
- Ensure that cash is available to deal with immediate transactions