

How to & why to make corrections to prior year errors.

Three Step Method attached

All too common a problem with financial statements:

"I was preparing FY16's financial statement, and for about 30 minutes I was going crazy trying to figure out why my numbers in the statement were not matching my check book/account data.

I went back and looked at the FY15 statement and realized what was going on. I made a mistake on the FY15 statement and accidentally included some FY16 data, I didn't not cut off inputs to the FY15 statement as of Sep 30 2015 as I should have. The inclusion of data has thrown off the current FY16 statement I am producing.

Before continuing any further, should I provide you with the corrected FY15 statement?"

Please have a look at the attachment. It will tell you that you do NOT use your bank statements to prepare your financial statement. You use your checkbook or spreadsheet or R&E journal, whatever you call it. You use your bank statement only to check your checkbook (R&E journal, etc). Then, you use your checkbook to complete the financial statement.

The bank statement does not reflect everything immediately like your checkbook would. The bank statement lags behind due to the timing of clearing items.

You must use the previous Fiscal Year ending Net Worth to Line 1 of the new FY. If you need to make adjustments then use Lines 15 or 32, as needed. But, NEVER make adjustments to match to your bank statements! Only show an adjustment when you also make one to your checkbook.

Remember, your checkbook balance doesn't necessarily match your bank statement balance but your checkbook should have everything in it that appears on your bank statement, and possibly more (due to timing of clearing).

So, keep the FY11 ending Net Worth on your FY12 Line 1. Then, make an adjustment in FY12 to your checkbook and your FY12 financial statement for the check listing error (or whatever the error is). FY11 is closed so you cannot go back and change it.

You can only make the correction in the year you found the error. This is the correct way to make corrections.

CNIC 2017-2018

Three Easy Steps To Preparing A Perfect Financial Statement

1. Record every transaction on your Receipts & Expenditures spreadsheets/checkbook/log as they are done. List checks as you write them and deposits as you make them or when you receive the money.

*** Financial statement basics ****

Find the date closest to but NOT BEFORE 01 Oct 2013 and draw a line ABOVE it. Next, find the date that is closet to but NOT AFTER 30 Sep 2014 and draw a line AFTER it. Everything between those two lines is the activity for FY14. That is the information that needs to be on your FY14 MWR Rec fund financial statement.

Only include data from October 1 through 30 September on an ANNUAL statement.

A fiscal year end statement will be dated 30 Sep in the top blocks, with no other dates filled in blocks below that.

2. Reconcile your bank statements to your R&E spreadsheets/checkbook/log. Keep a record of your reconciliation. This verifies that your R&E spreadsheets/checkbook/log are correct. This also verifies that your bank statements are correct.

3. Use ONLY your R&E spreadsheets/checkbook/log to complete your financial statement.

DO NOT USE YOUR BANK STATEMENTS TO PREPARE YOUR FINANCIAL STATEMENTS.

Line 16 should match your total Receipts spreadsheet for the fiscal year. Line 33 should match your total Expenditures spreadsheet for the fiscal year.

Line 39 should match your end of fiscal year balance on your spreadsheet/checkbook/log on 30Sep.

Use Line 42 for any money received prior to 30 Sep that has not been deposited by 30 Sep.

If Lines 34, 38 & 43 do not match after you followed these steps, then something(s) between Lines 1 and 34 is not correct. Carefully double-check your figures using the Three Easy Steps again.

*****First time offered ***** Two Excellent Tools *****

If you'd like a copy of a checkbook in an excel format that you can modify to your command and to your needs, please contact your MWR HQ POC at:
Mill_mwr_unitalloc@navy.mil or 901-874-6603.

If you would like a copy of a bank account and/or checkbook register reconciliation form to use monthly, please contact your MWR HQ POC at:
Mill_mwr_unitalloc@navy.mil or 901-874-6603.