

UNIVERSITY OF WALES

Trinity Saint David London

**UNIVERSITY OF WALES:  
TRINITY SAINT DAVID  
BA BUSINESS AND MANAGEMENT**

**Accounting Fundamental**

**LCBB4001\_LON**

**Accounting Fundamentals**

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# Contents

Introduction.....**Err**

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Question1: .....4

a) Preparation of Profits and Losses Statement (Income Statement) as well as  
Statement of Financial  
Position..... 4

b) The possible reasons for the balancing out of the financial position .....6

Question2: .....8

a) Computation of a range of Accounting Ratios as specified for 2020 and 2019  
(in £m) .....8

b) Suitable comments to Chocco plc regarding its financial state of performance  
..... 12

Conclusion ..... 13

## Introduction :

The following assessment will be concentrated on two of the specified question. Among them, the first one will be focus on creating the accounting statement and financial statement for the financial period of 2020 for Kedison PLC. The statements that will be built are the two statements of profits and losses and the one illustrating the enterprise's financial position. The second question will be focusing on the estimation of the company's overall financial behaviour and conduct. This will be duly done by formulating the specified range of accounting finance ratios with the assistance of the case study extracts that has been provided for the enterprise Chocco PLC. This will enable the company to predict whether their performance had been up to the expected standard. Furthermore, relevant suggestions and comments for improvement will also be supplied to Chocco PLC for the financial period 2020.

### Question1:

a) Preparation of Profits and Losses Statement (Income Statement) as well as Statement of Financial Position

#### A. Statement for Profits or Losses Creation for Kedison:-

##### Books for Kedison PLC

For year ending 31st December 2020

| Particulars                                        | Notes | £Details | £Amounts        | £Amounts        |
|----------------------------------------------------|-------|----------|-----------------|-----------------|
| <b><u>Revenues:-</u></b>                           |       |          |                 |                 |
| Sales                                              |       | 8,26,650 |                 |                 |
| Add- Credit Sales                                  | 1     | 980      |                 |                 |
| Net Revenue                                        |       |          | <b>8,27,630</b> |                 |
| <b><u>Expenditures:-</u></b>                       |       |          |                 |                 |
| Less- Costs of Sales                               |       | 5,78,650 |                 |                 |
| Corporation taxes                                  | 2     | 68,000   |                 |                 |
| Directors Remuneration                             |       | 5,000    | 6,51,650        |                 |
| Gross Operating Profits(Earnings)                  |       |          | <b>1,75,980</b> |                 |
| <b><u>Less- Non-operating costs:-</u></b>          |       |          |                 |                 |
| <b><u>Selling &amp; Distribution expenses:</u></b> |       |          |                 |                 |
| Administrative expenses                            |       | 30,000   |                 |                 |
| Distribution Costs                                 |       | 28,000   |                 |                 |
| <b><u>Finance Costs:</u></b>                       |       |          |                 |                 |
| Interest Paid                                      |       | 2,000    |                 |                 |
| Net non-operating expenses                         |       |          | <b>60,000</b>   |                 |
| Net Operating Profits(Earnings)                    |       |          |                 | <b>1,15,980</b> |

#### Statement summary:

After applying and using required principles of accounting, adjustments given in the case study, a consolidated statement for profits and losses have been prepared according to the requirements of the assessment. The notes for the respective bifurcation of adjustments will be provided in the appendices at the end of the assessment. From the statement prepared above for profits and losses, it is visible that the company Kedison PLC has earned net operating earnings or profits of £1,15,980 this shows that, firm has

achieved sufficient surplus balance which are required for attaining the above surplus. Bifurcation of respective expense heads as shown in the statement has been shown in the appendices. The above statement of profit and loss is showing various expenses incurred by the firm like wise operating cost, selling expenses and other overhead expenses, it is also showing the revenue generated by the firm and also profitability earned by deducting all the above stated expenses.

**B. Statement for Financial Position Creation for Kedison:-**

**Books for Kedison PLC**

**For year ending 31st December 2020**

| <b>SHAREHOLDERS FUNDS</b>       |         |
|---------------------------------|---------|
| Equity share capital            | 310000  |
| Reserve and surplus             | 194980  |
| 10% Preference share capital    | 300000  |
| <b>Non Current Liability</b>    |         |
| 4% Debenture                    | 100000  |
| <b>Current Liability</b>        |         |
| Creators                        | 171355  |
| Tax                             | 68000   |
| Otstanding Exp                  | 3000    |
| <b>Capital Employed</b>         |         |
|                                 | 1147355 |
| <b>Non current Asset</b>        |         |
| <b>PROPERTY PLANT EQUIPMENT</b> | 632730  |
| <b>Current Asset</b>            |         |
| Debtors                         | 171105  |
| Inventories                     | 330600  |
| Cash and cash equivalent        | 12900   |
| <b>Capital Employed</b>         |         |
|                                 | 1147355 |

**Statement Summary:-**

After applying and using the various methods of accounting principles and guidelines of accounting, adjustments supplied in the case study, a consolidated statement for financial position have been created according to the requirements of the assessment. The notes for the respective additional adjustments will be provided in the appendices at the end of the assessment. From the statement created above for financial position of the business, it is clearly visible that the financial position of the business is suitable and sustainable, it has been seen that, firm's net worth is at stable form, as the assets having higher value than the liabilities, this shows the firm has strength and run business for longer future period.

## Working Notes for both the Statements of Profits and losses and that of Financial

### Position:-

#### 1) DEBTORS ADJUSTMENT:-

| Working notes                 |          |
|-------------------------------|----------|
| DEBTORS:-                     | £Amounts |
| Debtors balance ending 2020   | 1,70,125 |
| Add: Credit sales             | 980      |
| Total debtors and total sales | 1,71,105 |

#### 2) CORPORATION TAX ADJUSTMENT:-

Corporation tax is usually considered as an EXPENSE under the business accounting books. Hence, it has been adjusted into the Operating expenses subdivision under the P/L STATEMENT. Furthermore, since this tax is paid based on the equity of business owners, it has also been placed under the Equity subdivision under the financial status statement.

#### 3) RETAINED EARNINGS ADJUSTMENT:-

| RETAINED EARNINGS:-               | £Amounts |
|-----------------------------------|----------|
| Retained earnings as of JAN 2020  | 1,32,000 |
| Less: preference dividend payment | 30,000   |
| Less: ordinary dividend payment   | 20,000   |
| ADJUSTED RETAINED EARNINGS        | 82,000   |

#### b) The possible reasons for the balancing out of the financial position

Balance Sheet Description- A balance sheet, that is, a statement defining the status and strength of the business financial position. Balance sheet consists of two major part 1) Liabilities and 2) Assets, liabilities consists of capital (insider liabilities) and external

liabilities, it means that the firm's obligation towards third party or to the outsider, any debts which are yet payable by the firm and creates an obligation for the business. On the other hand Assets means firm's added value and which provide value to the business. It is generally an un gained benefits of the firm, it provides benefits to the business and which helps business to run for a longer period of time, it is a firm's dues which are yet to recovered by the business. Liabilities and assets are further parts in long term and short term assets and liabilities, which are termed as non- current and current. Period of any assets and liabilities that exists for more than a year is termed as non- current liabilities and assets and other having short life or exists for less than a year is termed as current liabilities and assets.

Dual aspects of accounting- As the name suggests "balance sheet" means to balance the transactions and all accounting entries. As per accounting principles of dual aspects and GAAP and other various principles and guidelines states that each single transactions and entries have dual effect, this helps in clarifying the entries, each entries have two effects "debit" and "credit" . Therefore, any entries in accounting have two effects and one effect nullify the other effect. Therefore, each entry classifies one part as debit and other as credit. It occurs due to the dual aspects principles as specified above. So any entry occurs set-off against each other and in result, the difference does not occur and thereby because of non occurrence of any difference financial position goes balance. Thereby dual aspects concept states that financial position always balance because of the aforesaid concept.

## Question2:

a) Computation of a range of Accounting Ratios as specified for 2020 and 2019 (in £m)

1. ROCE
2. ROE
3. EPS
4. NPM
5. AT Ratio
6. IH Days
7. DC Period
8. C. R.
9. G. R.
10. I. C. Ratio

|                                                                                                                                                                                                          | 2020                                                                                                                                                                                                                                 | 2019                                                                                                                                                                                                                                   |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>1) RETURN ON CAPITAL EMPLOYED(ROCE)</b><br><br><u>Formula as Universally followed:-</u><br><br>$\text{ROCE} = \frac{\text{Earnings before taxes and interests (EBIT)}}{\text{Capital employed (CE)}}$ | EBIT= £846<br>CE= <i>TOTAL assets – CURRENT liabilities</i><br>TOTAL assets= £9,736<br>CURRENT liabilities= £2,511<br>CE= £9,736 – £2,511<br>=£7,225<br>So, ROCE will be;<br>$\text{ROCE} = \frac{£846}{£7,225}$<br>=£0.117 or £0.12 | EBIT= £720<br>CE= <i>TOTAL assets – CURRENT liabilities</i><br>TOTAL assets= £10,087<br>CURRENT liabilities= £3,046<br>CE= £10,087 – £3,046<br>=£7,041<br>So, ROCE will be;<br>$\text{ROCE} = \frac{£720}{£7,041}$<br>=£0.102 or £0.10 |
| <b>2) RETURN ON EARNINGS(ROE)</b>                                                                                                                                                                        | Revenue (NI)= £431                                                                                                                                                                                                                   | Revenue (NI)= £366                                                                                                                                                                                                                     |

|                                                                                                                                                                     |                                                                                                                                                                                                                                                                         |                                                                                                                                                                                                                                                                      |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Formula as Universally followed:-</b></p> $ROE = \frac{NET\ INCOME(NI)}{SHAREHOLDERS' EQUITY(SE)}$                                                            | <p>(Adjusted) Shareholders' Equity(S. E.)=</p> <p>TOTAL equity – Dividend Payment</p> <p>TOTAL equity= £3,088</p> <p>Dividend Payment= £255</p> <p>So, SE= £3,088 – £255</p> <p>=£2,833</p> <p>So, ROE will be;</p> $ROE = \frac{£431}{£2,833}$ <p>=£0.152 or £0.15</p> | <p>(Adjusted) Shareholders' Equity(SE)=</p> <p>TOTAL equity – Dividend Payment</p> <p>TOTAL equity= £2,912</p> <p>Dividend Payment= £242</p> <p>So, SE= £2,912 – £242</p> <p>=£2,670</p> <p>So, ROE will be;</p> $ROE = \frac{£366}{£2,670}$ <p>=£0.137 or £0.14</p> |
| <p><b>3) EARNINGS PER SHARE(EPS)</b></p> <p><b>Formula as Universally followed:-</b></p> $EPS = \frac{NET\ INCOME(NI) - PREFERENCE\ DIVIDE.}{SHARES\ NUMBERS\ O/S}$ | <p>Revenue (NI)= £431<br/>PREFEERNCE</p> <p>dividend= NIL</p> <p>Share numbers</p> <p>Outstanding= 206 shares</p> <p>So, EPS will be;</p> $ROE = \frac{£431 - nil}{206\ Shares}$ <p>=£2.092 or £2.10</p>                                                                | <p>Revenue (NI)= £366<br/>PREFEERNCE</p> <p>dividend= NIL</p> <p>Share numbers</p> <p>Outstanding= 268 shares</p> <p>So, EPS will be;</p> $ROE = \frac{£366 - nil}{268\ Shares}$ <p>=£1.365 or £1.37</p>                                                             |
| <p><b>4) NET PROFIT MARGIN(NPM)</b></p> <p><b>Formula as Universally followed:-</b></p>                                                                             | <p>NET income (NI)= £431</p> <p>GROSS REVENUE or SALES= £6,738</p> <p>So, N.P. margins will be;</p> $N.P.\ margins = \frac{£431}{£6,738} * 100$ <p>=<b>6.396% or 6.40%</b></p>                                                                                          | <p>NET income (NI)= £366</p> <p>GROSS REVENUE or SALES= £6,441</p> <p>So, N.P. margins will be;</p> $N.P.\ margins = \frac{£366}{£6,441} * 100$ <p>=<b>5.682% or 6.70%</b></p>                                                                                       |

|                                                                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>NP</b><br><b>Margin=</b><br>$\frac{\text{NET REVENUE or PROFIT(NI)}}{\text{TOTAL REVENUE}}$ <b>100</b>                                                                                                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <b>5) ASSETS TURNOVER RATIO(AT Ratio)</b><br><br><u>Formula as Universally followed:-</u><br><br><b>AT Ratio</b><br>$= \frac{\text{NET REVENUE or SALES(NR)}}{\text{AVERAGE TOTAL ASSETS}}$                                     | <p>NET REVENUE or SALES= £6,738<br/> Avg. TOTAL assets=<br/> <math display="block">\frac{\text{OPENING TOTAL assets} + \text{CLOSING TOTAL assets}}{2}</math></p> <p>OPENING TOTAL assets= £10,087<br/> CLOSING TOTAL assets= £9,736<br/> So, then Avg. TOTAL assets=<br/> <math display="block">\frac{£10,087 + £9,736}{2}</math><br/> <math display="block">= \frac{£19,823}{2}</math><br/> =£9,911.50<br/> So, AT Ratio will be;<br/> AT Ratio = <math display="block">\frac{£6,738}{£9,911.50}</math><br/> =£0.679 or £0.68</p>                                                                                     | <p>NET REVENUE or SALES= £6,441<br/> Avg. TOTAL assets=<br/> <math display="block">\frac{\text{OPENING TOTAL assets} + \text{CLOSING TOTAL assets}}{2}</math></p> <p>OPENING TOTAL assets= £NIL<br/> CLOSING TOTAL assets= £10,087<br/> So, then Avg. TOTAL assets=<br/> <math display="block">\frac{£NIL + £10,087}{2}</math><br/> <math display="block">= \frac{£10,087}{2}</math><br/> =£5,043.50<br/> So, AT Ratio will be;<br/> AT Ratio = <math display="block">\frac{£6,441}{£5,043.50}</math><br/> =£1.277 or £1.30</p>                                                                                       |
| <b>6) STOCK or INVENTORY HOLDING DAYS(IH Days)</b><br><br><u>Formula as Universally followed:-</u><br><br><b>I.H. Days</b><br>$= \frac{\text{AVERAGE STOCK or INVENTORY(AI)}}{(\text{COST OF THE SOLD GOODS(COGS)/ 365 days})}$ | <p>NET REVENUE or SALES= £6,738<br/> Avg. STOCK or INVENTORY=<br/> <math display="block">\frac{\text{OPENING STOCKS} + \text{CLOSING STOCKS}}{2}</math></p> <p>OPENING STOCKS= £659<br/> CLOSING STOCKS= £708<br/> So, then Avg. STOCKS=<br/> <math display="block">\frac{£659 + £708}{2}</math><br/> <math display="block">= \frac{£1,367}{2}</math><br/> =£683.50<br/> COST OF THE GOODS SOLD(COGS)= £3,235<br/> So, IH Days will be;<br/> I. H. Days ratio<br/> <math display="block">= \frac{£683.50}{£3,235/365 \text{ days}}</math><br/> I. H. Days ratio = <math display="block">\frac{£683.50}{8.86}</math></p> | <p>NET REVENUE or SALES= £6,441<br/> Avg. STOCK or INVENTORY=<br/> <math display="block">\frac{\text{OPENING STOCKS} + \text{CLOSING STOCKS}}{2}</math></p> <p>OPENING STOCKS= £NIL<br/> CLOSING STOCKS= £659<br/> So, then Avg. STOCKS=<br/> <math display="block">\frac{£NIL + £659}{2}</math><br/> <math display="block">= \frac{£659}{2}</math><br/> =£329.50<br/> COST OF THE GOODS SOLD(COGS)= £3,096<br/> So, IH Days will be;<br/> I. H. Days ratio<br/> <math display="block">= \frac{£329.50}{£3,096/365 \text{ days}}</math><br/> I. H. Days ratio = <math display="block">\frac{£329.50}{8.48}</math></p> |

|                                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                                                                                                                                                           | =77.144 days or £77 days                                                                                                                                                                                                                                                                                                                                                                                                                        | =38.85 days or £39 days                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <b>7) DEBTORS' COLLECTION PERIOD or DAYS(DC Period)</b><br><br><u>Formula as Universally followed:-</u><br><br><b>D. C. Period</b><br>= $\frac{\text{AVERAGE DEBTORS or RECEIVABLE(AD)}}{(\text{NET SALES/ 365 days})}$                   | NET REVENUE or SALES= £6,738<br>Avg. DEBTORS or RECEIVABLES= $\frac{\text{OPENING DEBTORS} + \text{CLOSING DEBTORS}}{2}$<br>OPENING DEBTORS= £1,287<br>CLOSING DEBTORS= £1,249<br>So, then Avg. DEBTORS= $\frac{£1,287 + £1,249}{2}$<br>= $\frac{£2,536}{2}$<br>=£1,268<br>So, D.C. Periods will be;<br>D.C. Periods ratio = $\frac{£1,268}{£6,738/365 \text{ days}}$<br>D.C. Periods ratio = $\frac{£1,268}{18.46}$<br>=68.689 days or 69 days | NET REVENUE or SALES= £6,441<br>Avg. DEBTORS or RECEIVABLES= $\frac{\text{OPENING DEBTORS} + \text{CLOSING DEBTORS}}{2}$<br>OPENING DEBTORS= £Nil<br>CLOSING DEBTORS= £1,287<br>So, then Avg. DEBTORS= $\frac{£NIL + £1,287}{2}$<br>= $\frac{£1,287}{2}$<br>=£643.50<br>So, D.C. Periods will be;<br>D.C. Periods ratio = $\frac{£643.50}{£6,441/365 \text{ days}}$<br>D.C. Periods ratio = $\frac{£643.50}{17.646}$<br>=36.467 days or 36.50 days |
| <b>8) CURRENT RATIO(C. R.)</b><br><br><u>Formula as Universally followed:-</u><br><br><b>C. R. =</b> $\frac{\text{CURRENT ASSETS(CA)}}{\text{CURRENT LIABILITIES(CL)}}$                                                                   | GROSS CURRENT Assets= £2,303<br>GROSS CURRENT Liabilities= £2,511<br>So, CURRENT Ratio will be;<br>CURRENT Ratio = $\frac{£2,303}{£2,511}$<br>=£0.917 or £0.92                                                                                                                                                                                                                                                                                  | GROSS CURRENT Assets= £2,355<br>GROSS CURRENT Liabilities= £3,046<br>So, CURRENT Ratio will be;<br>CURRENT Ratio = $\frac{£2,355}{£3,046}$<br>=£0.773 or £0.80                                                                                                                                                                                                                                                                                     |
| <b>9) GEARING RATIO(G. R.)</b><br><br><u>Formula as Universally followed:-</u><br><br><b>GEARING RATIO(G. R.)</b><br>= $\frac{\text{LONG-TERM debt} + \text{SHORT-TERM debt} + \text{BANK OVERDRAFT}}{\text{SHAREHOLDERS' EQUITY(S.E.)}}$ | BANK OVERDRAFT(Bank o/d)= £Nil<br>LONG-TERM debts= £4,137<br>SHORT-TERM debts= £2,511<br>(Adjusted) Shareholders' Equity(S.E.)=                                                                                                                                                                                                                                                                                                                 | BANK OVERDRAFT(Bank o/d)= £Nil<br>LONG-TERM debts= £4,129<br>SHORT-TERM debts= £3,046<br>(Adjusted) Shareholders' Equity(S. E.)=                                                                                                                                                                                                                                                                                                                   |

|                                                                                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                       |                                                                                                                                                                                                                                                                                                                                                                                                   |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                                                                                                        | <p><i>TOTAL equity –</i></p> <p><i>Dividend Payment</i></p> <p>TOTAL equity= £3,088</p> <p>Dividend Payment=</p> <p>£255</p> <p>So, S. E.= £3,088 – £255</p> <p>=£2,833</p> <p>So, GEARING RATIO will be;</p> <p>GEARING RATIO(G.R.)</p> $\frac{\text{£4,137} + \text{£2,511} + \text{£NIL}}{\text{£2,833}}$ <p>GEARING RATIO(G.R.)</p> $\frac{\text{£6,648}}{\text{£2,833}}$ <p>=£2.346 or £2.35</p> | <p><i>TOTAL equity –</i></p> <p><i>Dividend Payment</i></p> <p>TOTAL equity= £2,912</p> <p>Dividend Payment=</p> <p>£242</p> <p>So, SE= £2,912 – £242</p> <p>=£2,670</p> <p>So, GEARING RATIO will be;</p> <p>GEARING RATIO(G.R.)</p> $\frac{\text{£4,129} + \text{£3,046} + \text{£NIL}}{\text{£2670}}$ <p>GEARING RATIO(G.R.)</p> $\frac{\text{£7,175}}{\text{£2,670}}$ <p>=£2.687 or £2.70</p> |
| <p><b>10) INTEREST COVERAGE RATIO(I. C. Ratio)</b></p> <p><b>I. C. Ratio</b></p> <p>=</p> $\frac{\text{Earnings before taxes and interests(EBIT)}}{\text{Interests Expenditures(IE)}}$ | <p>EBIT= £846</p> <p>Interests Expenditure(I. E.)= £226</p> <p>So, I. C. Ratio will be;</p> <p>I. C. Ratio = <math>\frac{\text{£846}}{\text{£226}}</math></p> <p>=£3.743 or £4</p>                                                                                                                                                                                                                    | <p>EBIT= £720</p> <p>Interests Expenditure(I. E.)= £181</p> <p>So, I. C. Ratio will be;</p> <p>I. C. Ratio = <math>\frac{\text{£720}}{\text{£181}}</math></p> <p>=£3.977 or £4</p>                                                                                                                                                                                                                |

## **b) Suitable comments to Choco plc regarding its financial state of performance**

The study of consist of 5 different categories of ratios. Some elements out of these categories have been duly used in the formulation and understanding the financial state of the Chocco PLC. Some of the elements found out current ratio is usually used for understanding and justifying the rate of solvency. The ratios have shown a relevant increase in the current 2020 year as compare to 2019 year, where the liquidity level was found to be lower. This shows that the company's improving its potential in backing up its debts with the usage of its existing asset contents (Revolut, 2020). The second

category of ratios consist one such financially leveraging ratio interest coverage ratios, where it focuses on proving the enterprise's potential to keep its positive efforts on its existing long-term obligations to its creditors. This ratio has been observed to decline in the current 2020 year than the past 2019 year, where the ratio was seen to be lower. This shows that the company is yet unable to focus its efforts on regulating its long-term advances.

The efficiency justifying ratios like the stock holding ratios comment on the performance and financial efficiency of the enterprise Chocco plc. The ratio has been observed to decline in the current 2020 year than the past 2019 year, where the ratio was seen to be lower. This denotes that the company holding period of stocks have drastically increased in current years implying that their sales performance has reduced way more than before. This also implies that their efficiency of financial conduct has gone down unfavourably. However, it was seen that the enterprise's profitability ratios like the ROCE and the ROE have gone up by a substantial rate. This signifies that the company's potential towards generating profits and returns has yet not declined, which is highly commendable (D'Angelo, 2020). The company's fund-raising capacities are also commendable as has been observed from its gearing ratio formulation.

## Conclusion

The assignment has successfully focused on the two assessment questions. The first one has successfully displayed the profit & Loss and the Financial Statement (balance sheet) of the company of P/L and also that of the corporate financial statement of position. The second one has shown a successful computation of the different ranges of accounting ratios and periods using the content from the supplied case study. Furthermore, relevantly suitable comments have been supplied regarding the company Chocco plc's financial state of performance after a thorough analysis of the available data and formulations.

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