

Solution of question 1

Financial statement is a very important tool for the business, as it allow shareholders, managers and investors to make informed future business decisions and understand the performance of the business over time. There are two main financial statements. Income statement use in recognising all the expenses made and profit organisation able to generate. In the case of Eccles plc, this organisation made 248000 gross profit after all the essential operating expense, they able to earn 62 980 net profit.

Conclusion:

It has been deduced that with the use of accounting fundament principle and tools, managers are able to create balance sheet satisfying all the need principal GAAP and they also use ratio which helps to understand how companies are doing internally and relative to one another.

References:

1. Wikipedia
2. www.investopedia.com
3. Wood, F. (2015) Frank Wood's Business Accounting, 13th edition, Pearson Education Limited

Level / Level 4

Module code: LCB34001

Accounting Fundamentals

Assessment type: Assignment 1

Programme: BA Business Management

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Income statement (Profit and loss account)

of Eccles Plc. for the year ended 31/12/2018

Question 1

(a) Income statement and balance sheet

Income statement		
For the year ended 31 st December 2018		
	before	after
Sales	826650	827630
Cost of Sales	578650	578650
Gross profit	248000	248980
Distribution costs	28000	31000
Operating profit	85000	85000
Finance costs	2000	2000
Profit before tax	133000	130980
Taxation	68000	68000
Profit for the period (Net profit)	65000	62980

Solution of Question 2

Assets Turnover Ratio	Revenue / Assets Employed	2018	2019
Revenue		6441	66738
Assets Employed		7041	7225
Result		0.91	0.93
Stock holding period	Inventory / Cost of sales		
Inventory		659	708
Cost of sales		3096	3235
Result		78 days	80 days
Debtors collection p.	Trade receivable / Credit sales		
Trade receivable		1287	1249
Credit sales		6441	6738
Result		73 days	68 days

Profitability Ratio

		2018	2019
Gross Margin	Gross profit / Sales		
Gross profit		3345	3503
Sales		6441	6738
Results		51.93%	51.99%
Net profit ratio	Net profit / Sales		
Net profit		699	805
Sales		6441	6738
Results		10.9%	11.9%

Statement of Financial position 31 st of December			
	before	after	
Non current Assets	632730	632730	
Plant and Equipment	632730	632730	
Current Assets	513625	514605	
- Cash	12900	12980	
- Trade receivables	170125	171105	
- Inventories	330600	330600	
Liabilities	271355	274355	
- Retained profit	~~132~~ 000	~~132~~ 000	
- Ordin. shares	300000	300000	
Share capital	310000	310000	
Profit before tax	133000	130980	
Equity / Capital	875000	872980	
Liabil. and Shareholders	1146355	1147335	
Current liabilities	171355	174355	
Non current liab.	100000	100000	

Financing Ratio

Gearing Ratio	Debt/Debt + Equity	2018	2019
Debt		4129	4137
Debt + Equity		7041	7225
Results		58,6%	57,2%