



Prifysgol Cymru
Y Drindod Dewi Sant
University of Wales
Trinity Saint David

ASSIGNMENT - A1

Module: Accounting Fundamentals

Code: LCBB4001

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QUESTION 1

The following balances relate to Wales plc for the year ended 31st December 2021:

Balances relate to Wales plc for the year ended 31st December 2021:		
Particulars	Amount	Amount
£1 ordinary shares		£ 1,000,000.00
10% £1 preference shares		£ 400,000.00
Debentures (4%)		£ 200,000.00
Plant & equipment	£ 1,250,000.00	
Stock at December 2021	£ 430,600.00	
Sales Revenue		£ 800,000.00
Cost of sales	£ 578,650.00	
Trade receivable	£ 170,125.00	
Trade payable		£ 188,625.00
Cash & bank	£ 176,250.00	
Retained profits at 1 January 2021		£ 132,000.00
Ordinary dividend paid	£ 20,000.00	
Preference dividend paid	£ 30,000.00	
Administrative expenses	£ 30,000.00	
Interest paid	£ 2,000.00	
Directors remuneration	£ 5,000.00	
Distribution costs	£ 28,000.00	
	£ 2,720,625.00	£ 2,720,625.00

Following the relevant information about Corporation tax, Salesmen, Goods, Payment and Preference, of the task.

Required.

a) Prepare an income statement for the year ended 31st December 2021 for Wales plc and a statement of financial position as at that date.

A.		
Kedison PLC		
Statement of Financial Position as on 31st December 2020		
Particulars	Amount	Amount
Equity & Liabilities		
<u>Shareholders Fund</u>		
Ordinary Shares		£ 1,000,000
10% Preference Shares		£ 400,000
Retained earnings	£ 132,000	

Add - Profit	£ 4,330	£ 136,330
Long-Term Liabilities		
4% Debentures		£ 200,000
Current Liabilities		
Trade Payables		£ 188,625
Sales Commission		£ 3,000
Provision For corporate Tax		£ 100,000
TOTAL LIABILITIES		£ 2,027,955
Assets		
Non Current Assets		
Fixed Assets		
Plant & Equipment		1,250,000.00
Current Assets		
Trade receivable	£ 171,105	
Stock	£ 430,600	
Cash and Bank	£ 176,250	£ 777,955
TOTAL ASSETS		2,027,955.00

Kedison PLC	
Profit and Loss Statement for the year ended 31st December 2020	
Particulars	Amount
Sales	£ 800,980.00
Cost of Sales	£ 578,650.00
Gross Profit	£ 222,330.00
Interest Paid	£ 2,000.00
Distribution Costs	£ 28,000.00
Administrative Expenses	£ 30,000.00
Sales Commission	£ 3,000.00
Director's Remuneration	£ 5,000.00
Preference Dividend Paid	£ 30,000.00
Ordinary Dividend Paid	£ 20,000.00
Prov. For Corporate Tax	£ 100,000.00
Net Profit	£ 4,330.00

b) Why does the statement of financial position balance?

B.

The main reason why the financial position is always balanced is because of the double entry system. As in this system, the transaction is recorded in at least 2 accounts. The imbalance of

the financial position represents the error or fraud relating to the transactions. The financial position has 2 sides which are assets and liabilities. These 2 sides need to be balanced out because it represents that the company had paid for all of its resources by either taking out loans or equity. Therefore the 2 sides of the financial position are equal.

QUESTION 2

Sweets plc is a long-established sweets and confectionery manufacturer. All products are manufactured in the UK, but sales are made worldwide. It is a growing but competitive market. Given below are extracts from their financial statements,

Profit and Loss statement for the year ended 31st December

Particulars	2021	2020
	m	m
Revenue	£ 6,738.00	£ 6,441.00
Cost of sales	£ 3,235.00	£ 3,096.00
Gross profit	£ 3,503.00	£ 3,345.00
Distribution costs	-£ 437.00	-£ 422.00
Marketing and selling costs	-£1,324.00	-£1,274.00
Administrative expenses	-£ 937.00	-£ 950.00
Operating profit	£ 805.00	£ 699.00
Profit/loss on sale of fixed assets	£ 19.00	-£ 5.00
Investment income	£ 22.00	£ 26.00
Interest payable	-£ 226.00	-£ 181.00
Profit/(loss) before taxation	£ 620.00	£ 539.00
Taxation	-£ 189.00	-£ 173.00
Profit for the year	<u>£ 431.00</u>	<u>£ 366.00</u>

Statement of Financial Position as at 31st December

	m	m
Particulars	2021	2020
Non-Current assets		
Intangible assets	£ 5,485.00	£ 5,809.00
Property, plant and equipment	£ 1,613.00	£ 1,605.00

Investments	£	335.00	£ 318.00
Current assets	£	7,433.00	£ 7,732.00
Inventory	£	708.00	£ 659.00
Trade receivables	£	1,249.00	£ 1,287.00
Investments	£	145.00	£ 232.00
Cash	£	201.00	£ 177.00
	£	2,303.00	£ 2,355.00
Total assets	£	9,736.00	£ 10,087.00
Current liabilities			
Trade payables	£	583.00	£ 655.00
Other creditors	£	1,928.00	£ 2,391.00
	£	2,511.00	£ 3,046.00
Non current liabilities			
Loans and other borrowings	£	4,137.00	£ 4,129.00
Net assets	£	3,088.00	£ 2,912.00
Equity			
Ordinary share capital (50p shares)	£	300.00	£ 300.00
Share premium	£	1,071.00	£ 1,071.00
Retained profits	£	1,717.00	£ 1,541.00
	£	3,088.00	£ 2,912.00

a) Calculate the following ratios for Sweets plc for 2021 and 2020, showing the formulas and workings:

A.			
Particulars	Formula	2021	2020
1- Return on Capital Employed (ROCE)	Earning before interest and tax / Capital Employed *100	11.71%	10.23%

2 - ROE	Net Income / Shareholder's Equity	13.96%	12.57%
3- Earnings per share	Earning Available for the Equity Shareholders/ Total No. of shares	0.7183	0.61
4- Net profit margin	Net Profit / Revenue	6.40%	5.68%
5- Asset turnover	Sales / Total Assets	0.6921	0.6385
6- Stock holding days	Inventory / Cost of Sales *365	80	78
7- Debtors collection period	Trade Receivable / Credit Sales*365	68	73
8- Current ratio	Current Assets /Current Liabilities	0.9172	0.7731
9- Gearing ratio	Total Debt / Total Equity	1.34	1.42
10- Interest cover	Earnings before Interest & Tax / Interest Expenses	3.743	3.978

b) Using the information in the financial statements and the ratios you have calculated, comment on the financial performance and position of Sweets plc.

B.

From the above key figures and those in the yearly fiscal reports, it tends to be reasoned that the organization's exhibition has worked on contrasted with the earlier year. In contrast to the previous year, it demonstrates a vertical pattern. This year, capital turnover has improved, albeit slightly. A business had 73 days to cash out its accounts receivable. It at present requires around 68 days. Even though the company's collection of receivables improved over the previous year, there is still room for improvement. The relationship ought to also get better. The organization is on the upswing in comparison to 2019 and must continue moving in this direction. Over the past year, the company's interest costs have gone up. The amount of debt is manageable because the respective shares of the business have increased. The interest coverage ratio, on the other hand, is going down. This is as a result of the company's increased debt. The overall financial performance of the business has improved compared to the previous year, as can be deduced from this.