

Accounting fundamentals

Assignment 1

Name: Veronika Sekulova
Student Number: 2125630

Programme: BA Business Management
Module: Accounting Fundamentals

Question 1.

Statement of financial position as at 31st of December 2021

	£
Non-current assets	
Property, plant and equipment.	1,250,000
Current assets	
Inventory	430,600
Trade receivables	970,125
Cash	<u>176,250</u>
	<u>1,576,975</u>
Total assets.	<u>2,826,975</u>
Current liabilities	
Trade payables	767,275
Other creditors	<u>118,000</u>

885,275

Non-current liabilities

Loans and other borrowings. 200,000

1,082,275

Net assets. 1,741,700

Equity

Ordinary share per capital (£1 shares). 1,000,000

Shares premium 400,000

Retained profits 132,000

1,532,000

Income statement for the year ended 2021

Revenue. 1,231,580

Cost of sales. (170,125)

Gross profit **1,061,455**

Distribution cost. (28,000)

Administration expenses. (30,000)

Profit/loss on sale of fixed assets. (200,000)

Operating profit **803,455**

Invest payable. 2,000

Taxation 100,000

Profit for the year 701,455

Question 2.

1. ROCE

Profit before interest = operating profit + profit/loss on sale of fixed assets + investment income

Assets employed = total assets – current liabilities

2020

Profit before interest = $699 - 5 + 26 = 720$

Assets employed = $10,087 - 3046 = 7041$
= 10.22%

2021

Profit before interest = $805 + 19 + 22 = 846$

Assets employed = $9736 - 2511 = 7225$
= 11.7%

2. ROE

Earnings = profit for the year

We can take retained profits as a reserves.

2020

= 19.88%

2021

= 21.36%

3. Earnings per share

2020

= £1.22 per share

2021

= £1.44 per share

4. Net profit margin

2020

= 5.68%

2021

= 6.40%

5. Asset turnover

2020

= 0.91

2020

= 0.93

6. Stock holding days

2020

= 77.7 days

2021

= 79.9 days

7. Debtors collection period

We are assuming that the credit sales are trade receivables.

2020

= 365 days

2021

= 365 days

8. Current ratio

2020

= 0.77

2021

= 0.91

9. Gearing ratio

2020

= 58.64%

2021

= 57.25%

10. Interest cover

2020

= 3.97

2021

= 3.74

