

ACCOUNTING FUNDAMENTALS

MODULE CODE: LCBB4001

ASSESSMENT TYPE: ASSIGNMENT

ACCOUNTING FUNDAMENTALS ASSESSMENT 1

SUBMISSION DETAILS:

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MANAGEMENT

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In submitting this work, I affirm that my work adheres to the scholarly and intellectual standards of honesty and integrity. I affirm that this work is my work only and that in the preparation of this work I have not consulted any person. I affirm that I have not plagiarised or misrepresented the ideas or language of someone else as my own and that I have fully and accurately attributed any ideas or text of others to the sources and documented each source.

INCOME STATEMENT FOR THE YEAR ENDED 31st
DECEMBER 2019

QUESTION 1

a)

	£'000
Revenue	827630
Cost of sales	<u>(578650)</u>
Gross profit	248980
Sales Commission	3000
Directors remuneration	5000
Distribution costs	(28000)
Administration expenses	<u>(30000)</u>
Operating profit	182980
Finance costs	<u>(2000)</u>
Profit before tax	180980
Taxation	<u>(68000)</u>
Profit for the period	<u><u>112980</u></u>

STATEMENT OF FINANCIAL POSITION OF ECCLES
PLC
AS AT 31st DECEMBER 2019

	£'000	£'000
<u>ASSETS</u>		
Non current assets		
Property, plant & equipment	632730	632730
Current assets		
Inventories	330600	
Trade and other receivables	171105	
Cash and cash equivalents	<u>12900</u>	
		<u>514605</u>
Total assets		<u>1147335</u>
<u>LIABILITIES</u>		
Current liabilities		
Trade and other payables	171355	
Short term borrowings	3000	
Current tax payable	<u>68000</u>	
		242355
Non-current liabilities		
Long term borrowings	100000	
		<u>100000</u>
Total liabilities		<u>342355</u>
Net assets		<u>804.980</u>
<u>EQUITY</u>		
Ordinary shares		310000
Preference shares		300000

Retained earnings		
Opening	132000	
Net profit	112980	
Preference dividend	30000	
Ordinary dividend	20000	194980
Total equity		804980
Total liabilities and equity		1147335

b)

The statement of financial position balances because there are proper adjustments that are made and the double-entry bookkeeping is maintained. The recording of the transaction is made in a manner with which the dual impact is reflected and that leads to balanced values. In the given case trial balance was given which was balanced and then several adjustments have been made in a manner than two accounts are affected. By this, the debt and credit were changed and that made the final balance to consolidate. This shows the business is making the correct entries and the position is reflected correctly.

Working

Question 1

a/

INCOME STATEMENT OF ECCLES PLC FOR THE YEAR ENDED 31st DECEMBER 2019

Revenue $826.650 + 980 = 827.630$

Gross profit $827.630 - 578.650 = 248.980$

Operating profit $248.980 - 3.000 - 5.000 - 28.000 - 30.000 = 182.980$

Finance cost 4% Debentures $100.000 = 4000$ Interest paid 2000

$4\ 000 - 2\ 000 = 2\ 000$

Profit before tax $182.980 - 2.000 = 180.980$

Profit for the period $180.980 - 68.000 = 112.980$

STATEMENT OF FINANCIAL POSITION OF ECCLES PLC AS AT 31st DECEMBER 2019

Total Assets $632.730 + 514.605 = 1.147.335$

Total Liabilities $242.355 + 100.000 = 342.355$

Net Assets $1.147.335 - 342.355 = 804.980$

Total Liabilities and Equity $342.355 + 804.980 = 1.147.335$

Question 2

a)

Calculation of ratios

RATIO	Working (2019)	2019	Working (2018)	2018
RETURN ON CAPITAL EMPLOYED	$805/(9.736 - 2.511) \times 100\%$	11.1%	$699/(10.087-3.046) \times 100\%$	9.9%
RETURN ON EQUITY	$431/3.088 \times 100\%$	13.9%	$366/2.912 \times 100\%$	12.5%
EARNING PER SHARE	$431/300$	1.43p	$366/300$	1.22p
GROSS PROFIT MARGIN	$3.503/6.738 \times 100\%$	51.9%	$3.345/6.441 \times 100\%$	51.9%
NET PROFIT MARGIN	$805/6.738 \times 100\%$	11.9%	$699/6.441 \times 100\%$	10.9%
ASSET TURNOVER	$6.738/7.225$	0.9	$6.441/7.041$	0.9
STOCK HOLDING PERIOD	$708/3.235 \times 365$	80 DAYS	$659/3.096 \times 365$	78 DAYS
DEBTORS COLLECTION PERIOD	$1.249/6.738 \times 365$	68 DAYS	$1.287/6.441 \times 365$	73 DAYS
CREDITORS PAYMENT PERIOD	$583/3.235 \times 365$	66 DAYS	$655/3.096 \times 365$	77 DAYS
CURRENT RATIO	$2.303/2.511$	0.9	$2.355/3.046$	0.8
QUICK RATIO	$(1.249+201)/2.511$	0.6	$(1.287+177)/3.046$	0.5
GEARING	$4.137/(4.137+3.088) \times 100\%$	57.2%	$4.129/(4.129+2.912)$	58.6%
INTEREST COVER	$805/226$	3.6	$699/181$	3.9

b)

The ratio calculation has been made and from that, it is noted profitability of the company is improving as there is a rise in the net profit. This shows the positive performance of the company in terms of profitability. The Gross profit margin relatively stable. The management is working efficiently as the turnover ratio has increased which shows efficient utilization of assets. Slight decrease in debtors collection period and creditors payment period and increase in Stock holding period. Interest cover has decreased. Conclusions should follow from the comments made.