

UNIVERSITY OF WALES TRINITY SAINT DAVID

BACHELOR OF ARTS: BUSINESS MANAGEMENT, LEVEL 4

MODULE TITLE: ACCOUNTING FUNDAMENTALS

MODULE CODE: LCBB4001

ASSESSMENT 1

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Question1/A

Income statement for the period ended on 31.12.2018

Revenue (827650+980)	827630
Cost of sales	578650
Gross profit	248980
Distribution costs	28000
Administration expenses	30000
Salesmen are owed commission	3000
Directors remuneration	5000
Operating profit	182980
Finance costs	4000
Profit before tax	178980
Corporation tax for the year is estimated	68000
Profit for the period	110980

Statement of financial position

	£	£
<u>ASSETS</u>		
Non - Current Assets		
Plant and equipment	632730	
		<u>632730</u>
Current assets		
Inventory (Stock)	330600	
Trade receivables	170125	
Goods valued	980	
Cash	12900	
		<u>514605</u>
Total assets		1147335
<u>LIABILITIES</u>		
Current liabilities		
Salesmen commission	3000	
Interest paid	2000	
Trade payables	171355	
Current tax payable	68000	
		<u>244355</u>
Non current liabilities		
Loans and other borrowings	100000	
		<u>100000</u>
Total liabilities		344355
Net assets		802980
Equity		
Ordinary shares	310000	
Preference shares	300000	
Retained profits	132000	
Profit for year	110980	
Ordinary dividend paid	(20000)	
Preference dividend paid	(30000)	
Total equity		802980

Question1/B

The Statement of financial position is one of the main financial statements. It is showing the financial situation of the company at this moment. Every Statement of financial position includes: Assets - what business own, Liabilities – what are obligations of the business and equity - owner's capital. The connection between is called Accounting equation and is expressed by $\text{Assets} = \text{Equity} + \text{Liabilities}$. Any change in one of them will be reflected in the other to so as to maintain balance.

Question2/A

Schedule of ratios for Chocco plc for 2019 and 2018

INVESTMENT RATIOS

	2019	2018
Return on capital employed	$805/(9,736-2,511)*100 = 11,14 \%$	$699/(10,087-3,046)*100 = 9,928 \%$
Return on equity	$(431/3,088)*100 = 13,96 \%$	$(366/2,912)*100 = 12,57 \%$
Earnings per share	$431/600 = 0,72 \text{ p}$	$366/600 = 0,61 \text{ p}$

PROFITABILITY RATIOS

Gross profit margin	$(3,503/6,738)*100 = 51,99 \%$	$(3,345/6,441)*100 = 51,93 \%$
Net profit margin	$(805/6,738)*100 = 11,95 \%$	$(699/6,441)*100 = 10,85 \%$

EFFICIENCY RATIOS

Asset turnover	$6,738/(9,736-2,511) = 0,933$	$6,441/(10,087-3,046) = 0,915$
Stock holding period	$(708/3,235)*365 = 79,88 \text{ d}$	$(659/3,096)*365 = 77,69 \text{ d}$
Debtors collection period	$(1,249/6,738)*365 = 67,66 \text{ d}$	$(1,287/6,441)*365 = 72,93 \text{ d}$
Creditors payment period	$(583/3,235)*365 = 65,78 \text{ d}$	$(655/3,096)*365 = 77,22 \text{ d}$

LIQUIDITY RATIOS

Current ratio	$2,303/2,511 = 0,917$	$2,355/3,046 = 0,773$
Quick asset ratio	$(2,303-708)/2,511 = 0,635$	$(2,355-659)/3,046 = 0,557$

FINANCING RATIOS

Gearing ratio	$(4,137/(4,137+3,088))*100 = 57,26 \%$	$(4,129/(4,129+2,912))*100 = 58,64 \%$
Interest cover	$805/226 = 3,562$	$699/181 = 3,862$

Question2/B