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: LCBB4001

Accounting Fundamentals

Assesment type: Assignment 1

Programme: BA Business Management

Lecturer: Winifred Sacibl

Submited by:

Maria Georgieva Dimitrova

Student number: 1906321

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 31st December 2018	before	after
Sales	826650	827 630
Cost of Sales	578 650	578 650
Gross profit	248 000	248 980
Distribution costs	28 000	31 000
Operating profit	85 000	85 000
Finance costs	2000	2000
Profit before tax	133000	130980
Taxation	68 000	68 000
Profit for the period (Net profit)	65 000	62 980

Solution of Question 2

Assets Turnover Ratio	Revanue / Assets Employed	2018	2019
Revenue		6441	66 738
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

Profiability 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 31st of December

	before	after
Non Current Assets	632730	632730
Plant and Equipment	632730	632730
Current Assets	513625	514 605
-Cash	12 900	12 980
- Trade receivables	170 125	171 105
- inventories	330 600	330 600
Liabilities	271 355	274 355
- Retained profit	132 000	132 000
-Ordin. shares	300 000	300 000
Share capital	310 000	310 000
Profit before tax	133 000	130 980
Equity/Capital	875000	872 980
Liabit. and Shareholders	1146355	1147335
Current liabilities	171 355	174 355
Non current liab.	100 000	100 000

Financing Ratio

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