

ACCOUNTING FUNDAMENTALS

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Module Title:LCBB4001

Assignment Title: ACCOUNTING FUNDAMENTALS

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Question 1

- a) Preparation of Income Statement -shows the profit generated over a particular period**

ECCLES PLC

INCOME STATEMENT

For the year ended 31st December 2019

Sales revenue		827630
Cost of sold goods		(578650)
Gross profit= Sales revenue - Cost of sold goods		248980
Distribution expenses	(28000)	
Administrative expenses	(30000)	(58000)
Operating profit=Gross profit -Expenses		190980
Retained earnings	132000	
Dividend paid	(50000)	
Salesman commission	(3000)	

Interest paid	(2000)	
Directors remuneration	(5000)	(72000)
Profit before tax		118980
Corporation tax		(68000)
Profit after tax		50980

b) Explanation of the balancing of the statement of financial position

After studying the given balances related to Eccles plc, we can see that the total claims are the same as the total assets, which is £ 1 840 000

Question 2

a) Schedule of ratios for Chocco plc

INVESTMENT RATIOS

	2019	2018
Profit before interest	620	539
Asset employed=Total assets -current liabilities	7225	7041
Return on capital employed ratio	$620/7225 \times 100=8,58$	$539/7041 \times 100=7,65$
Earnings	3088	2912
Ordinary share capital +reserves	$300+1071=1371$	$300+1071=1371$
Return on equity ratio	$3088/1371 \times 100=225,3$	$2912/1371 \times 100=212,3$

PROFITABILITY RATIOS

	2019	2018
Gross profit	3503	3345
Sales	6738	6441
Gross profit margin ratio	$3503/6738 \times 100 = 51,98$	$3345/6441 \times 100 = 51,93$
Net profit	431	366
Sales	6738	6441
Net profit margin ratio	$431/6738 \times 100 = 6,39$	$366/6441 \times 100 = 5,68$

EFFICIENCY RATIOS

	2019	2018
Sales	6738	6441
Assets employed	1613	1605
Asset turnover ratio	$6738/1613 = 4,17$	$6441/1605 = 4,01$
Inventory	708	659
Cost of sales	3235	3096
Stockholding period ratio	$708/3235 \times 365 = 79,88$	$659/3096 \times 365 = 77,69$

LIQUIDITY RATIOS

	2019	2018
Current assets	2303	2355
Current liabilities	2511	3046
Current ratio	$2303/2511 = 0,91$	$2355/3046 = 0,77$
Current assets -inventory	$2303-708=1595$	$2355-659=1696$
Current liabilities	2511	3046
Quick asset ratio	$1595/2511 = 0,63$	$1696/3046 = 0,55$

FINANCING STRUCTURE RATIOS

	2019	2018
Debt	4137	4129
Debt +Equity	$4137+3088=7225$	$4129+2912=7041$
Gearing ratio	$4137/7225 \times 100 =57,25$	$4129/7041 \times 100 =58,64$
Profit before interest	620	539
Interest	189	173
Interest cover ratio	$620/189 =3,28$	$539/173 =3,11$