

ACC81210 (Accounting for Managers) SP2, 2018

ASSIGNMENT 1 (20 MARKS)

Question 1

Total marks for Q1. (10 marks)

Financial statements of Sondiak Ltd are presented below:

**Sondiak Ltd
Statement of Financial Position
As at 30 June 2016 and 2017
(\$000)**

	<u>2017</u>	<u>2016</u>
Current assets		
Cash and cash equivalents	1,966	2,522
Accounts receivables (all trades)	4,901	4,393
Inventories	8,368	8,284
Total current assets	<u>15,236</u>	<u>15,200</u>
Non-current assets		
Property, plant and equipment	20,549	18,326
Total non-current assets	<u>20,549</u>	<u>18,326</u>
Total assets	<u><u>35,785</u></u>	<u><u>33,526</u></u>
Current liabilities		
Payables	6,910	7,161
Total current liabilities	<u>6,910</u>	<u>7,161</u>
Non-current liabilities		
Interest-bearing liabilities	11,883	11,297
Total non-current liabilities	<u>11,883</u>	<u>11,297</u>
Total liabilities	<u><u>18,792</u></u>	<u><u>18,457</u></u>
Equity		
Share capital	9,205	9,205
Retained earnings	7,788	5,864
Total equity	<u><u>16,993</u></u>	<u><u>15,068</u></u>

Sondiak Ltd
Income Statement
As at 30 June 2017
(\$000)

Revenues (net sales)	65,748
Less: cost of sales	<u>41,959</u>
Gross profit	<u>\$23,789</u>
Less: Expenses	
Selling and distribution expenses	8,488
Administrative expenses	5,941
Finance costs	<u>1,865</u>
Total expenses	<u>16,294</u>
Profit before income tax	7,495
Income tax expense	<u>2,281</u>
Profit	<u><u>\$5,214</u></u>

Sondiak Ltd
Statement of Changes in Equity
For the year ended 30 June 2017
(\$000)

Share capital	
Ordinary (6950000 shares)	
Balance at start of period	<u>6,950</u>
Balance at end of period	6,950
Preference (220000 shares)	
Balance at start of period	<u>440</u>
Balance at end of period	<u>440</u>
Total share capital	<u><u>7,390</u></u>
Retained Earnings	
Balance at start of period	5,864
Total income for the period	5,214
Dividends paid – ordinary	-3,230
Dividends paid – preference	-60
Balance at end of period	<u><u>7,788</u></u>

Additional information:

Payables include \$6718 (2017) and \$6609 (2016) trade accounts payable; the remainder is accrued expenses. Market prices of issued shares at year-end (2017): Ordinary \$11.5; Preference \$5.25.

Required:

A. Calculate the following ratios for 2017.

The industry average for similar businesses is shown.

(6 marks)

Industry average	
1. Rate of return on total assets	22%
2. Rate of return on ordinary equity	20%
3. Operating profit margin	4%
4. Earnings per share	\$0.45
5. Price-earnings ratio	12.0
6. Dividend yield	5%
7. Dividend payout	70%
8. Current ratio	2.5 :1
9. Quick ratio (acid ratio)	1.3 :1
10. Average Settlement period for Accounts Receivable	13
11. Average inventory turnover period	6
12. Debt ratio	40%
13. Times interest earned	6
14. Assets turnover	1.8

B. Given the above industry averages, comment on the company's profitability, efficiency, liquidity and use of financial gearing.

(4 marks)

Question 2

Total marks for Q2. (10 marks)

a) A local restaurant is noted for its fine food, as evidenced by the large number of customers. A customer was heard to remark that the secret of the restaurant's success was its fine chef. Would you regard the chef as an asset of the business? If so, would you include the chef on the balance sheet of the business and at what value? Discuss.

(2 marks)

b) Accounting provides much information to help managers make economic decisions in their various workplaces. You are required to provide examples of economic decisions that the following people would need to make with the use of accounting information:

(3 marks)

- The management team of an Australian Rugby League (NRL) club
- A factory manager of a motor vehicle plant
- The manager of Lifeline charity store
- A manager of human resources

c) Indicate the effect of each of the following transactions on any or all of the three financial statements of a business: (5 marks)

1. Statement of financial position
2. Income Statement
3. Statement of cash flows

Apart from indicating the financial statements (s) involved, use appropriate phrases such as ‘increase total asset’, ‘decrease equity’, ‘increase income’, ‘decrease cash flow’ to describe the transaction concerned.

Note: You may affect more than one item.

	Statement of Financial position	Income Statement	Statement of Cash Flows
1. Borrow money on a long-term basis from a bank.			
2. Pay salaries to employees.			
3. Withdraw cash by the owner for private use.			
4. Sell one of the old company cars for cash.			
5. Purchase building for cash.			
6. Provide services to a client, with payment to be received within 60 days.			
7. Receive a bill from in the mail from a local carpenter for some repairs he made, to be paid within 14 days.			
8. Receive a payment from a client in the mail.			
9. Pay building insurance for the next 6 months coverage.			
10. Make a loan payment.			

THE END