

11/10/13
 Tutorial 2 Week 4
 Q1.3.2

	2009	2010	2011
Machine	10000	18000	20000
clary	8000	18500	20000
depreciation	-2000	4500	5500

bought	1000				
depr	2000	2009			
	8000				
-depr	-2000	2000			
	6000				
-depr	-2000	2010			
	4000				
-sold	2000				
	2000				
bal at 1000					
val = 0					

	2009	2010	2011
Fixed Asset	10000	18000	20000
Machine	10000	18000	20000
-depr	-2000	-4500	-5500
Net value	8000	13500	14500

	2009	2010	2011
Machine	10000	18000	20000
-depr	-2000	-4500	-5500
Net value	8000	13500	14500

3.3 Profit does not necessarily infer "cash" profit.
The company must at received a large proportion of
it's sale through debtors (money owed to business).

Therefore business could be out of cash even while
being profitable

3.4 a 9000
b 6000 ✓

c 3000

d 500 ✓

e 16000 ✓

f 3000

3.5 First in first out.

Lost in first out.

1 Sept.	20	-20 @ 18 = 360	1	left. 20 @ 18
2 Sept.	48	-40 @ 20 = 800	2	Sold 35 @ 20 = 700 left. 13 @ 20
4 Sept.	15 ⁸ 160	24	4	Sold 15 @ 24 = 360
6 Sept.	10	25	6	Sold 10 @ 25 = 250

$$\begin{aligned} \text{Sales} &= 1160 \\ \text{Inventory} &= \frac{770}{1930} \checkmark \end{aligned}$$

$$\begin{aligned} \text{Sales} &= 1310 \\ \text{Inventory} &= \frac{620}{1930} \checkmark \end{aligned}$$

Weighted average cost

$$\begin{aligned} \text{Total units} &= 20 + 48 + 15 + 10 = 93 \\ \text{Total cost} &= 1930 \end{aligned} \quad \text{Cost per unit} = 1930 \div 93$$

$$1930 - \frac{60}{93}$$

$$1930 - 1245.16174 = 684.838 = \text{inventory} = 685 \checkmark$$

1/10/13

Introduction To Accounting Inventory costing method example 38

	FIFO	LIFO	AUTO
Accountable for	161 000	161 000	161 000
cost of sale	101 000	107 000	103 500
(closing inventory	60 000	54 000	57 500

General rules:

When prices are rising, LIFO produces higher COGS
(and therefore lower profits) than FIFO

Inventory values are lower under LIFO. The method used
will affect a number of ratios (G.P, O.P.M, C.R, A.T.R etc.)

Tutorial.

Income Statement 37 W/W Askav G) at 31 december 2011

Sales	253000	✓
opening stock	12200	
+ purchases	1155000	
- closing stock	-152000	-152000 ✓
gross profit	101000	✓

less expense	Rent	-20000	
Rates paid		-1900	
Depreciation		7590 - 9360	
wages paid		23800 - 22960	
electricity		-2700	
Van purchased		-17500	50470
loss on sale		-131	
Profit for year		48580	
+ previous year		19800	
Profit		50410	= 26400

Statement of financial position	cost.	32000	
Non current assets	Machine	-04 dec 88390	23610
current assets			21840

Trade payable	500	
debtors	24300	
cash	53800	31100
Stock	15200	✓ 81000

CL		
rent inc	5000	
creditors	3900	
wages due	2560	-11460
		118040 69640
		115690 93250

Equity		
capital	25900	
retained earnings	50410	76310

Acc bukdol 25/10/13

1. purchase	15000	cash 10000	creditors	due
	+ 10000	- 15000	+ 10000	70000
	<u>25000 inc</u>	- 14000 CA	- 7000	
		- 7000	<u>30000</u>	

2. Sal 20000	cash 24000	debt 2000
+ 2000	+ 20000	- 13000
<u>40000 inc</u>	<u>60000</u> CA	<u>7000</u> CA
	- 7000	
	<u>53000</u> CA	

3. cash - 6000	
Wage - 4900 = 5000 exp	wages due 1000
+ 11000 CA	

4. electric	cash 11000	40000
	- 40000	prepaid 11000 CA
	<u>- 29000</u> CA	<u>3000</u> exp

5. 5 months prep	cash - 29000	12 months exp. 20000 exp
no profit exp	- 25000	prepaid 5000 CA
	<u>- 54000</u> CA	

6. 40000 x 0.1 = 4000	cash - 5000
- paid 2000 exp	- 4000
due 2000 CL	<u>- 58000</u> CA

7. tax 3000	cash - 3000 = - 61000 exp
	3000 due CL
	<u>6000</u> exp

8. cash - 61000 - 100 = - 71000 CA	exp 6000 - 100 = - 50000 exp
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a. VEN = 30000	loss on ven = 8000 exp
cash - 71000 - 18000 = - 89000 cash	

10. bad debt = 3000 + 2000 = 5000 exp	debt 7000 - 5000 = 2000 CL
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1. cash - 23000
equity - 23000

Correct working

2. rent 20000
cash - 25000
prepaid 5000

3. rates $400 + 1500 = +1900$
rates prepaid = +500
cash - 2000

	opening	old	new	opening	- old	new =
cost.	30000	cost. 13000	cash 18000	30000	-13000	+15000 32000
acc dep.	-4700	acc dep. 3900	cash 600	-4700	+3900	(800) 70160
	25300	NBV 9100	broken 900	25300	9100	31200 NBV 21840
		-9000				300 = 9360
		loss 100				

loss 100
cash - 6000
depr 9360
NBV 21840

5. cash - 23800
wages $(-1700 + 23800 + 860) = 22960$
wages due $(1700 - 1700 + 860) = 860$

9. debtors + 21000
inventory - 12700

6. electricity 2700
cash - 2700

10. cash + 12000
inventory - 2500

7. stock + 143000
creditors + 143000

11. debtors - 19800
cash + 19800

12. creditors - 15600

8. inventory + 12000
cash - 12000

cash - 15600

13. Van exp = 17500
cash - 17500

Dr. (1)

Accounting Tutora week 6
25/10/13
Statement of income of at 31/9/11 of company

Sales 400000

+ opening 70000

+ purchased 250000

- closing -80000 -240000

Gross profit 160000

- Operating cost

wages 50000

general exp. 40000

rent 20000

loss on van 8000

bad debts 5000 123000

Operating profit 37000

- interest 4000

profit before tax 33000

- tax 6000

= profit 27000

Comment Briefly on the results of the first year's operation

- Profit of 27000 gross profit margin operating profit margin
- Cash balance down from 10 to -28 drawings to may not have been taken out
- Motor vehicle -18 No choice?
- Paid rent in advance
- Debts higher than credits, get more off them
- Stock \rightarrow large inventory 80
- Bad debts in first year trade selling to right market?
- Overmng: 40% $\frac{100}{250}$ total exp. $\frac{40}{250} = 16\%$ how cheap
- CA:CL $\frac{150}{250}$ current ratio
- Acid test ratio

Statement of financial position as at 31/9/13 of comp

non current assets

+10	van	20000 - 20000 + 30000	30000 ✓
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current assets

	Inventory	70000 + 10000	80000 ✓
	cash	10000 - 150000 + 70000 +200000 + 130000 - 40000 - 49000 - 40000 - 25000 - 3000 - 3000 - 10000 - 28000 - 18000	✓
-18	debtors	20000 - 13000	7000 6500
	rental prepaid	5000	5000 ✓

Total assets

157000

EQUITY AND LIABILITY

Non current liabilities

	equity	60000 - 10000 ✓
	loan	40000 ✓
	wages due	1000
	tax due	3000
	+ profit	

90 000
27 000 ✓

Current liabilities

-8	creditors	10000 - 70000 ✓
	interest due bank	1000 ✓
	bad debt	5000 ✓
	wages due	100 ✓
	tax due	3000 ✓

40 000 ✓

Total liabilities

157000

2/11/13 DW. Account

Income Statement of 31/12/09 of Mayday Plc

Sales	1400	bank	-74
- Sales return	-100	loss	-76
	1300	+ cash	+14
		- tax	-20

opening stock	150	No stock in 2010	N.A.	2010	24.6%
+ purchases	650	26.9/187	51.9%		
- returns	-50	50/Av of 504/26.9	42.4%		
- closing	-100	20/26.9	74.3%		
Gross profit	650	90.7/23.3	1.9 times		

Expenses

Selling expense	242 + 18 ✓	251 days	
Admin expense	135 - 20	47 days	
bad debts written off	15 ✓	56 days	
new provision income	4 ✓		
Depreciation	30 ✓		
loss on sale	6		
operating profit		-430	
		220	

- interest	-20
profit before tax	200

- tax 10% =	-20
profit for year	180

DW 10

Balance Sheet of Mayday plc at 31/12/09

ASSETS

non current assets

Building 700-66 =

Fixed fittings 340-40

less dep. 100-20+30

714

190

904

Current assets

Inventory 100,000 ✓

receiv. 365-15 ✓

- provision -14 ✓

prepaid 20 ✓

bank 6

456

142

1355 1500

Equity and liabilities

Equity

Share capital 200+100

Share premium 100

revaluation reserve 266-66

reserve ret. 265

profit 180

- dividend paid -35

1108

1010

non current liabilities

loan

+ 200

current liabilities

Trade payable 250

accruals (18+2) x 20 40

+ 290

Bank Total equity and liabilities

1500

17/1/14

Accounting

Hawthorn plc

Profitability and Efficiency ratios (Management & Investor Perspectives)

2011

2012

- revenue change
- Gross profit margin
- Operating profit margin

Sales change	—	change	11205/7003	+60%
Operating profit margin	1050/7003	15%	2309/11205	20.6%
GPM	3255/7003	46%	5396/11205	48.2%
Asset efficiency	$\frac{\text{Sales revenue}}{\text{Capital employed}}$ 7003/3437+1800	1.34 times	$\frac{11205}{4110+3100}$	1.35 times
Return on Capital employed	1050/3437+1800	30%	2309/8500	27.8%

row
2x4=5

$$\text{ROCE} = \frac{\text{OP}}{\text{CE}} = \frac{\frac{\text{OP}}{\text{Sales}}}{\frac{\text{Sales}}{\text{CE}}} \times \frac{\text{Sales efficiency}}{\text{CE}}$$

Share 36m at 50p = £1800

Share price end of month 2011 £ 3.0

Share price end of month 2012 £ 5.0

EPS	634/3600	17.33c p/s	1463/3600	4.064p
Price earnings	300/17.33	17.31 times	500/40.64	12.3 years

LIQUIDITY & GEARING RATIOS

Interest cover	$\frac{\text{Operating profit}}{\text{Interest}}$ 1050/216	4.86 times	2309/456	5.06 times
Gearing	1800/5237	34.3%	3800/8300	45.8%
Current ratio	$\frac{\text{CA}}{\text{CL}}$	1.9		1.02
ACT		0.74		0.33
Inventory day				

27/1/14 Week 3 Tutorial Thread LTD Account

Operating profit of per account:

1167

Adjustments for:

Depreciation +75

- increase in trade receivables -89

- increase in trade payables -54

+ increase in credit liabilities +16

- decrease in cash -2

Net cash inflow

-53

1114 ✓

Operating activities:

net cash inflow

116

- interest paid

-8 ✓

- tax paid 4049-24

-64 ✓

- dividend paid

-72 ✓

Net cash flow from operating activities

-30 ✓

Cash flow from investing activities

payments to acquire 114
(702-75) to 887

-60

-126 -60

-186 -90

Cash flow from financing activities

loan received

+50

+50

net cash outflow

-106 -40

Cash and cash equivalents at start of year

(84) (78)

End of year balance

(122) (118)

At 1st

-78

1/1

-78

Net cash inflow

-140

-106

-280

-168

1140 ✓

3/2/14 (a) Plow Harbridge LTD Tutorial week 4 3/2/14

Cash Flow from Operating Activities

Profit before tax	300
+ depreciation	+ 250
+ interest	+ 50
Cash flow from trading activities	600

Changes in working capital

Increase in inventory	- 150 ✓	
Increase trade rece	- 40 ✓	
Increase trade payable	+ 75 ✓	- 130
Decrease cash generated from operations	- 15 ✓	470

Less:

Interest paid	- 40	
Tax paid	- 115	
Dividend received	- 70	- 225
		245

Net cash inflow from operating activities

	- 510	- 260
- increase in NCA	- 265	✓

Net decrease

Reconciliation

Net inflow 2012: 1 st July 2011	- 115	265
30 June 2011	- 380	

Net decrease in cash and cash equivalents - 265 net change ✓

17/2/14

Accounting Tutorial week 6 D.W.
Hornet LTD and Week LTD

ASSETS

Non current asset

Property plant equipment $10800 + 4371$ 15221

Intangible asset

Goodwill arising from consolidation $3500 - (80\% \times 1875)$ 2000

Current asset $3775 + 1470$ 5245

TOTAL ASSETS 22470

EQUITY AND LIABILITIES

Equity

Share capital 2000

Share premium 3000

Reserve reserve 2800

Profit 39475 474

non controlling interest $20\% \times (1875)$ 390

Non current liabilities

Bank loan $700 + 200$ 900

Current liability

Payable $2926 + 1397$ 4321

TOTAL EQUITY AND LIABILITIES 22470

4/2/14

Cash flow from Operating Activities

Profit before tax

+ Depreciation charged (not actually an expense)

+ interest expense

Cash flow from operating Activities

CHANGES IN WORKING CAPITAL

+ Decrease in stock

+ Decrease in debtors

- Decrease in creditors

Cash GENERATED FROM OPERATIONS

- interest paid old due + new expense - now due

- tax paid old + new - not paid

- Dividends old + new - not paid

Net Cash flow from operating activities:

Cash flow from investing activities

- Purchase of NCA

+ Sale of NCA

Cash flow from financing activities

+ new shares sold

+ new loans taken out

NET CASH INFLOW

Cash balance 1/1 cash + bank + CA mpn - overdraft - loan - debtors

Cash balance 31/1

opening 1/1

+ change

Cash balance 31/1

RECONCILIATION

12/14

Accounting

Note 3 adjustments to given figures
3 out of 5.

- new shoes.
- purchase new NCA
- disposal of NCA
- renewal up order
- receipt of new loan / loan repayments

Disposed with profit or loss? - only instance ^{causing} changing in income statement

Cost of sale is sales revenue - gross profit
expenses = Gross profit - operating profit