**Financial Statements**

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# Income Statement

|  |  |  |
| --- | --- | --- |
| **Vera's Vegan Diner** | | |
| **Income Statement for the year ended 31st March 2020 (£)** | | |
|  |  |  |
| **Turnover** |  |  |
| Sales | **£** | 552,580 |
| Add: |  |  |
| Closing Stock | **£** | 28,750 |
| Less: |  |  |
| Opening Stock | **£** | 23,788 |
| Purchases | **£** | 98,962 |
| **Gross Profit** | **£** | **458,580** |
|  |  |  |
| **Overheads:** |  |  |
| Rent & Rates | **£** | 99,543 |
| Salaries & Wages | **£** | 225,349 |
| Motor & Travel | **£** | 8,561 |
| Insurance | **£** | 21,075 |
| Advertising | **£** | 15,438 |
| Telephone | **£** | 1,327 |
| Professional Charges | **£** | 6,450 |
| Repairs & Maintenance | **£** | 8,239 |
| Miscellaneous Expenses | **£** | 4,625 |
| Loan interest | **£** | 9,573 |
| **Total Overheads** | **£** | **400,180** |
|  |  |  |
| **Net Profit** | **£** | **58,400** |

# Statement of Financial Position

|  |  |  |  |
| --- | --- | --- | --- |
| **Statement of Financial Position as at 31st March 2020** | | | |
| **Non-Current Assets** | **Historic** | **Accumulated** | **Net Book** |
|  | **Cost** | **Depreciation** | **Value** |
|  | **£** | **£** | **£** |
| Fixtures & Fittings | 54,278 | 5,428 | 48,850 |
| Kitchen Equipment | 70,588 | 10,588 | 60,000 |
| Motor Vehicles | 50,556 | 5,056 | 45,500 |
|  | 175,422 | 21,072 | **154,350** |
|  |  |  |  |
|  |  |  |  |
| **Current Assets** |  |  |  |
| Stock |  | 28,750 |  |
| Receivables |  | 21,622 |  |
|  |  | **50,372** |  |
|  |  |  |  |
| **Current Liabilities** |  |  |  |
|  |  |  |  |
| Payables |  | 43,820 |  |
| Bank |  | 22,846 |  |
|  |  | **66,666** |  |
| **Net Current Assets** |  |  | (16,294) |
|  |  |  |  |
| **Non-Current Assets** |  |  |  |
| Bank Loan |  |  | 55,000 |
|  |  |  |  |
| **Net Assets** |  |  | **83,056** |
|  |  |  |  |
|  |  |  |  |
| Representing: |  |  |  |
| **Shareholders' funds** |  |  |  |
| Share Capital |  |  | 24,656 |
| Retained Profit for Year |  |  | 58,400 |
|  |  |  | **83,056** |

# Break-even Point and Margin of Safety

|  |  |  |
| --- | --- | --- |
| **Vera's Vegan Diner** | | |
| **Income Statement for the year ended 31st March 2020 (£)** | | |
| Number of customers |  | 25,000 |
| **Particulars** |  | **Amount** |
| **Turnover** |  |  |
| Sales | **£** | 552,580 |
| Add: |  |  |
| Closing Stock | **£** | 28,750 |
| Less: |  |  |
| Opening Stock | **£** | 23,788 |
| Purchases | **£** | 98,962 |
| **Gross Profit** | **£** | **458,580** |
| Less: Variable Overheads (60%) | **£** | 240,108 |
| **Contribution** | **£** | **218,472** |
| **Contribution per customer** | **£** | **8.74** |
| Less: Fixed Cost (40%) | **£** | 160,072 |
| **Profit** | **£** | **58,400** |
|  |  |  |
| **Break-even point** | Fixed cost/ contribution per unit | 18,317 |
|  |  |  |
| **Margin of safety** | (Current sales-BEP sales)/current sales level\*100 | 26.73% |

# Cash Budget

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Vera's Vegan Diner** | | | | |
| **Cash Budget for the three months ended April 2020 (£)** | | | | |
| **Particulars** | **February** | **March** | **April** | **Total** |
| **Cash Inflows** |  |  |  |  |
| Income from Party Catering | 6,080 | 8,040 | 3,340 | 17,460 |
| Income from Food and Drink | 48,000 | 52,600 | 50,800 | 151,400 |
| **Total Cash Inflow** | **54,080** | **60,640** | **54,140** | **168,860** |
| **Cash Outflows** |  |  |  |  |
| Food and Drink Purchases | 17,500 | 19,200 | 21,600 | 58,300 |
| Wages | 13,500 | 15,000 | 11,500 | 40,000 |
| Overhead | 14,000 | 14,000 | 15,500 | 43,500 |
| Kitchen Equipment | 42,000 | 18,000 | 0 | 60,000 |
| **Total Cash Outflow** | **87,000** | **66,200** | **48,600** | **201,800** |
| **Net Cash Flow** | **(32,920)** | **(5,560)** | **5,540** | **0** |
| **Opening Balance** | **35,500** | **2,580** | **(2,980)** |  |
| **Closing Balance** | **2,580** | **(2,980)** | **2,560** |  |

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# Observation of the findings

On the analysis of the statements, it can be said that the financial performance of the company is quite good. However, at the same time, it is also recognised that the cash budget of the company is reflecting negative results. The customers of the company are also closer to its break-even point, which questions the company's financial performance. Additionally, it is also recognised that the sales of the company have decreased by 15% during last financial year as compared to the previous year, which shows that the company is facing difficulty in boosting its revenue and profitability. Overall, the above deficiencies reflect that the financial performance of Vera's Vegan Diner is not well and significant improvements are required for improving such deficiencies.

# Recommendation

The company, namely Vera's Vegan Diner, can improve its financial performance by increasing its net cash flows. The company should reduce the receivable settlement period as it will help the company in generating funds at a faster rate. The cash is useful for the company in order to meet business obligations in a satisfactory manner. Additionally, the company should adopt online and offline marketing strategies in order to boost the revenues of the company (Long, 2019). Further, the company should also provide various patronage benefits to its customers, such as discounts and rewards. This will allow the company to retain its customers for a longer period of time and prove beneficial for boosting the company's profitability (Crandall, Crandall and Chen, 2014). Thus, it is recommended to the company that it should adopt the practice of faster collection, effective marketing strategy and provide patronage benefits to its customers in order to improve financial performance.

# References

Crandall, R.E., Crandall, W.R. and Chen, C.C. (2014). *Principles of Supply Chain Management.* Florida: CRC Press.

Long, J.M. (2019). *Management and Leadership Skills that Affect Small Business Survival: A Resource Guide for Small Businesses Everywhere.* New York: Anthem Press.