Part B:

This report outlines the year-end key financial metrics, performance highlights, and cost management strategies that have contributed to an Australian company manufacturing automotive components. All financial transactions are reported in **Australian Dollars**, with a **10% Goods and Services Tax (GST)** applied to taxable items in compliance with local regulations.

Company Dashboard at Year-End:

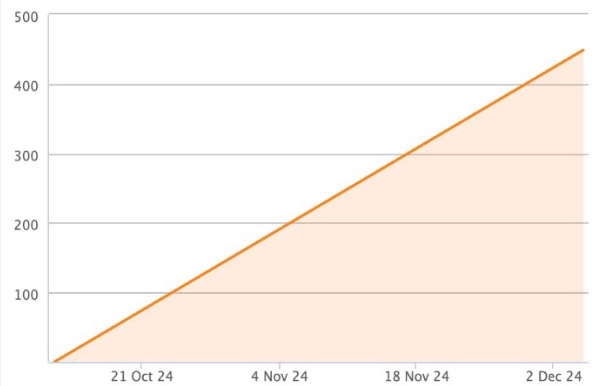
Balance Sheet

27 Nov 24 to 30 Jun 25

Assets	17,990.21
Liabilities	21,646.00
Net Assets	**-3,655.79**

Cashflow

Cash on Hand — 1m 3m 6m 1y 2y



Current Balance 448.80 AUD

Never reconciled. Reconcile now | Import bank statement

Accounts Receivable

Details Summary

Contact	Amount
Toyota [Barfson, Jeremy]	11,000.00
Stagg, Ayush-John	66.00
Total	**11,066.00** AUD

Showing 1 to 2 of 2

Profit & Loss Summary

01 Jul 24 to 30 Jun 25

Income	15,160.00
Cost of Sales	5,565.79
Gross Profit	**9,594.21**
Expense	13,250.00
Operating Profit	**-3,655.79**
Other Income	0.00
Other Expense	0.00
Net Profit	**-3,655.79**

Accounts Payable

Details Summary

Contact	Amount
Syrup property co [Trumpet, Donald]	13,200.00
Itzall sheet products [Hamsteri, Ricardo]	3,960.00
Weldit and hope [Maynott, Brian]	1,650.00
C6 [Skinhair, Clive]	1,320.00
Total	**20,130.00** AUD

Showing 1 to 4 of 4

The dashboard reflects the financial performance of the business for the year ending **31st December 2024**. The Profit & Loss Summary shows a total income of **$15,160**, a Gross Profit of **$9,594.21**, and a profit margin ratio of -0.24. However, after accounting for expenses of **$13,250**, the business reports a Net Loss of **$3,655.79**. The Balance Sheet shows total assets of **$17,990.21** and total liabilities of **$21,646**, affecting the business, resulting in a current ratio of 0.83 and Net Assets of **-$3,655**.

Cash on Hand stands at **$448.80**, which is quite low and can pose a risk in case of unexpected expenses or emergencies. To improve profitability, it is essential for the business to prioritise the timely collection of receivables and implement strategies to optimise operating expenses (Kravtsov, 2022).

Trial Balance at Year-End:

1/12/25, 11:38 PM Trial Balance - Saasu

Zaarif (Birmingham) Trial Balance UPGRADE TO PAID

Report created: 13 Jan 25, Start date: 01 Dec 24, End date: 30 Jun 25, Tag: -- All Tags --, Accounts with no activity shown: No, Account last modified date shown: Yes

Account	Last Modified	Debit	Credit
Asset: Accounts Receivable	05 Dec 24	11,066.00	
Asset: Cash on Hand	05 Dec 24	448.80	
Asset: Inventory	05 Dec 24	4,176.21	
Asset: Tax Paid on Purchases	05 Dec 24	2,299.20	
Cost of Sales: Stock	05 Dec 24	5,517.79	
Equity: Retained Earnings			62.00
Expense: Rent	05 Dec 24	12,000.00	
Expense: Subscriptions	05 Dec 24	1,200.00	
Income: Sales	05 Dec 24		15,000.00
Liability: Accounts Payable	05 Dec 24		20,130.00
Liability: Tax Collected from Sales	05 Dec 24		1,516.00
	Total	**36,708.00**	**36,708.00**

The Trial Balance report provides a comprehensive view of the business's financial accounts as of **31st December 2024**. Key balances include:

- **Accounts Receivable**: **$11,066** – This reflects amounts owed by customers, including **Toyota (Jeremy Barfson)**, a high-risk payer.
- **Inventory**: **$4,176.21** – This represents the value of materials and products on hand.
- **Accounts Payable**: **$20,130** – This shows the business's outstanding obligations to suppliers.

- **Income (Sales)**: **$15,160** – This reflects revenue generated from selling car bodies.

The Trial Balance underscores that liabilities are higher than assets, indicating potential liquidity risks. The significant Accounts Receivable balance, particularly from **Toyota**, requires close monitoring to ensure that cash flow is not adversely affected. Adjustments should be made to **reclassify prepaid expenses**, such as rent and subscriptions, to provide a more accurate financial picture (Frankovic, 2000). This aligns with the **matching principle** under **Australian Accounting Standards Board (AASB) 101**, ensuring expenses are recognised in the same period as related revenues (Australian Accounting Standards Board, 1995).

The elevated Accounts Payable balance suggests heavy reliance on supplier credit for cash flow, which provides short-term liquidity but poses a risk if payments are not made within agreed terms. To mitigate this risk, a structured approach to monitoring **ageing reports** would help manage outstanding payables more effectively (Wilkins and Haun, 2014). Conducting regular reviews of trial balance accounts is essential to rectify discrepancies in a timely manner (Owusu-Ansah, 2019). Compliance with **AASB 137: Provisions, Contingent Liabilities and Contingent Assets** would further strengthen financial reporting by ensuring appropriate recognition of provisions to account for potential financial risks (Australian Accounting Standards Board, 2019).

Accounts Payable at Year-End:

12/28/24, 5:28 PM Accounts Payable - Saasu

Zaarif (Birmingham) Accounts Payable UPGRADE TO PAID

Report created: 29 Dec 24, Due: All, Contact: All contacts

Due date	Invoice #	Summary	Contact	Amount owed
05 Dec 24	10	12 Months Rent	Syrup property co [Trumpet, Donald]	13,200.00
04 Jan 25	6	100 Large Welds	Weldit and hope [Maynott, Brian]	1,100.00
04 Jan 25	7	100 Small Welds	Weldit and hope [Maynott, Brian]	550.00
05 Jan 25	11	12 Months Subscription	C6 [Skinhair, Clive]	1,320.00
19 Jan 25	8	400 Sq Metal Sheet	Itzall sheet products [Hamsteri, Ricardo]	3,960.00
			Total owed	**20,130.00**

Accounts Payable (AP) represents obligations to suppliers for goods and services received but not yet paid. As of **31st December 2024**, the AP balance is **$20,130**, comprising key payables to:

- **Syrup Property Co**: **$13,200** for rent.
- **Weldit and Hope**: **$1,650** for panel welds and screws.
- **Itzall Sheet Products**: **$3,960** for metal sheets.
- **C6**: **$1,320** for a subscription service.

Having a balanced AP figure is essential for maintaining supplier relationships and managing cash flow. Management should prioritise paying off high-value liabilities to reduce long-term obligations (King, no date). Introducing **payment schedules** with suppliers would help the business manage its monetary liabilities more effectively (Osoro, 2013). Accurate reporting of AP balances can improve **liquidity ratios**, align with **International Accounting Standards (IAS) 7**, and strengthen relationships with key suppliers (International Accounting Standards, 1992).

The AP balance includes **prepaid amounts** for future rent and subscription services. Reclassifying these amounts as **prepaid expenses**, in accordance with **AASB 101**, ensures accurate liability reporting and better reflects current financial obligations (Australian Accounting Standards Board, 1995).

Accounts Receivable at Year-End

12/28/24, 5:29 PM Accounts Receivable - Saasu

Zaarif (Birmingham) Accounts Receivable UPGRADE TO PAID

Report created: 29 Dec 24, Due: All, Contact: All contacts

Due date	Invoice #	Summary	Contact		Amount owed
27 Dec 24	1	IT & Metal Services	Stagg, Ayush-John		66.00
04 Jan 25	8	20 Car Body	Toyota [Barfson, Jeremy]		11,000.00
				Total owed	**11,066.00**

Accounts Receivable (AR) reflects amounts owed by customers for goods and services sold on credit. As of **31st December 2024**, the AR balance is **$11,066**. Key customers include:

- **Toyota (Jeremy Barfson)**: **$11,000** for 20 car bodies.
- **Ayush John Stagg**: **$66** for IT services.

Management aims to reduce **Accounts Receivable (AR)** balances, as high AR ties up cash and impacts liquidity (Lyani, 2017). To improve cash flow and minimise financial risk, **stricter credit policies** should be implemented to ensure customers have the capacity to pay on time, reducing bad debt risks (Pike and Cheng, 2001). Also, efficient **follow-up on overdue payments** improves collection rates (Vuorikari, 2012).

The concentration of receivables with **Toyota** poses a **credit risk**. To address this, management should establish provisions for doubtful debts in compliance with **AASB 9 Financial Instruments** (Australian Accounting Standards Board, 2024). Regular credit reviews can help identify risks early, while **credit insurance policies** can protect against customer defaults. By actively monitoring AR balances, the business can reduce reliance on key customers and improve cash flow stability.

Tracking AR turnover provides insight into collection efficiency. A low AR turnover suggests delayed payments, negatively affecting liquidity (Barinov, 2014). Management should aim to increase this ratio by enforcing stricter credit terms, **following up on payments**, and offering **incentives for early settlement** to reduce AR balances and improve financial performance.

Inventory at Year-End

1/12/25, 11:39 PM Stock Value - Saasu

Zaarif (Birmingham) Stock Value UPGRADE TO PAID

Created: 13 Jan 2025, As at date: 31 Dec 2024

Code	Description	On hand	Average cost	Total value
C1	Car Body	10	183.90	1,839.01
4	Large Welds	20	10.00	200.00
2	Long Screws	1820	0.02	36.40
3	Sheet Metal	220	9.00	1,980.80
1	Short Screw	2000	0.01	20.00
5	Small Welds	20	5.00	100.00
	Total	**4090**		**4,176.21**

The Inventory report shows stock on hand as of **31st December 2024**, including:

- **Car Bodies**: **10 units** valued at **$1,839.01**.
- **Large Welds**: **20 units** valued at **$200**.
- **Long Screws**: **1,820 units** valued at **$36**.
- **Sheet Metal**: **220 units** valued at **$1,980**.
- **Short Screws**: **2,000 units** valued at **$20**.
- **Small Welds**: **20 units** valued at **$100**.

The total inventory value is **$4,176.21**. Management should track inventory levels to avoid **overstocking or obsolescence**. Efficient inventory management ensures uninterrupted production and minimises holding costs (Vaka, 2024).

A competitor's price of **$175** highlights the need for cost-reduction strategies. By purchasing 10+ square metres of metal sheets, we could have received a **10% discount**, and negotiating bulk purchases of items like screws could secure further discounts. These strategies could reduce the total cost from **$183.90** to a more competitive price. Introducing **value-added services** could enhance the overall customer experience and differentiate the business from competitors. For instance, a customer receives a more elevated experience by purchasing a Rolls-Royce as they offer superior customer-centric service that can justify higher pricing and improve customer loyalty (Ng *et al.*, 2012).

Introducing an **inventory ageing report** would help identify slow-moving items and improve stock turnover, ultimately reducing holding costs (Suuronen, 2015). Additionally, creating a **just-in-time inventory system**, aligned with **lean manufacturing principles**, could reduce storage costs and ensure that materials are available when needed (Lyu *et al.*, 2020).

Conclusion

The financial analysis of the company highlights several key areas that management should address to strengthen the company's financial performance. The following recommendations focus on improving cash flow, managing financial risks, and enhancing operational efficiency:

- **Streamline expense reporting** to ensure financial statements reflect the true position of the business.
- **Improve cash collection processes** to reduce outstanding receivables and strengthen liquidity.
- **Manage supplier payments more strategically** to balance cash flow while maintaining strong supplier relationships.
- **Optimize stock levels** to prevent overstocking, reduce holding costs, and improve inventory turnover.

- **Introduce risk management practices**, such as payment schedules and credit protection measures, to safeguard against customer defaults.

By implementing these strategies, the company will enhance its financial stability, improve cash flow, and build greater resilience to navigate future challenges.

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