

ACC1701X
ACCOUNTING FOR DECISION MAKERS
SEMESTER 1 2022 / 2023

TUTORIAL 6 ANSWER SOLUTION
Cash & Current Liabilities

Understanding Financial Statements - Samsung

(a) Calculate and compare the current ratio of Samsung for the financial years 2021 and 2020.

<i>(In ₩'000,000)</i>	2021	2020
Current Assets (CA)	218,163,185	198,215,579
Current Liabilities (CL)	88,117,133	75,604,351
Current Ratio (CA/CL)	2.48	2.62

Samsung has slightly better liquidity in 2020 as compared to 2021. Its current ratio for both years is much higher than 1, indicating that Samsung has enough current assets to pay its short-term obligations so it should not have liquidity issues in the short-term.

(b) How does Samsung's cash and cash equivalents compare with its other current assets (both in amount and percent) as at December 31, 2021 and 2020?

<i>(In ₩'000,000)</i>	2021	2020
Cash & cash equivalents	39,031,415	29,382,578
Total Current Assets	218,163,185	198,215,579
Percentage of Current Assets	17.89%	14.82%

In both years, Samsung's cash and cash equivalent is its fourth largest current asset (behind short term financial instruments, inventories and trade receivables) and makes up about 15% to 18% of its current assets.

From 2020 to 2021, its cash and cash equivalent increased by about ₩9,648,837 million, and as a percent of total current assets, it went up from 15% to 18%.

(c) What are the different types of provisions that are included on Samsung's Statement of Financial Position? How much warranty expense did Samsung record in 2021 and what is the ratio of warranty expense to sales?

Samsung's statement of financial position shows both current and non-current provisions. Note 15 shows five types of provisions relating to warranties, royalties, long-term incentives, discontinued products and emissions. These provisions are estimated liabilities which satisfy the conditions for recognition in the financial statements.

From Note 15, warranty expense taken in 2021 to the SPL is ₩1,628,023 million. It is about 0.58% of sales (₩279,604,799 million).

15. Provisions

Changes in provisions for the year ended December 31, 2021 are as follows:

<i>(In millions of Korean won)</i>	Warranty (A)	Royalty expenses (B)	Long-term incentives (C)	Other (D, E)	Total
Balance as of January 1	1,765,882	1,304,091	651,298	1,679,720	5,400,991
Charged to profit or loss	1,628,023	606,265	288,712	2,562,479	5,085,479
Payment	(1,456,266)	(464,463)	(208,673)	(1,093,757)	(3,223,159)
Other ¹	40,655	115,916	2,946	257,038	416,555
Balance as of December 31	1,978,294	1,561,809	734,283	3,405,480	7,679,866

¹ Other includes effects of changes in foreign currency exchange rates.

(A) The Company accrues warranty reserves for estimated costs of quality assurance, exchanges, repairs, recalls, and future services based on historical experience and terms of warranty programs.

SSA Textbook Tutorial Assignment:

P 6-7 (LO4) Bank Reconciliation

1. Bank reconciliation:

Alexander Company Bank Reconciliation October 31, 2022			
Balance per bank statement		Balance per books	\$50,000
\$66,185			
Additions to bank balance:		Additions to bank balance:	
Deposits in Transit	5,600	Interest Revenue	85
Total	\$71,785	Total	\$50,085
Deductions from bank balance:		Deductions from bank balance:	
Outstanding Checks	(31,000)	NSF	(6,000)
		Bank Charge	(3,300)
Adjusting Bank Balance	\$40,785	Adjusting Book Balance	\$40,785

2. Journal entries

Oct. 31	Accounts Receivable.....	6,000	
	Bank Charge Expense.....	3,300	
	Interest Revenue.....		85
	Cash.....		9,215

E 9-12 (LO3) Computing Warranty Expense

1. Jan. 31	Product Warranty Expense	50,000	
	Product Warranty Provision.....		50,000
1. Feb. 5	Product Warranty Provision	7,000	
	Inventory Parts/Supplies		4,250
	Wages Payable		2,750