

**ACC1701X: ACCOUNTING FOR DECISION MAKERS  
SEMESTER 1 2022 / 2023**

**Tutorial Assignments:**

*~ Understanding Financial Statements ~*



**Assignment Overview:**

In this assignment, you will use Samsung's financial statements to complete various assignments related to the topics covered in this module.

**Assignment Objective:**

- 1) Familiarize yourself with reading **real published financial statements** contained in corporate annual reports, so as to provide you with an integrated view of the various topics covered during the module;
- 2) Apply what you learnt during lectures to **search for, analyze and interpret** information presented in annual reports;
- 3) Provide you with the opportunity to **self-learn and discover** further aspects of accounting.

**Assignment Task:**

Refer to **Samsung's 2021 consolidated financial statements and its notes** to answer questions related to the respective tutorial sections. Use the Korean Won (₩) figures for all your calculations and round your final answers (in millions of Korean Won) to 2 decimal places, unless otherwise stated. If applicable, make sure to reference which notes you obtained the information from to answer the questions.

Refer below for the questions related to the respective sections (Tutorial 5 to Tutorial 11).

A copy of Samsung 2021 consolidated financial statements and its notes can be downloaded from Canvas. Annual reports of public companies can also be downloaded from the companies' websites, typically under the "Investor Relations" section. For Samsung, refer to: <https://www.samsung.com/global/ir/>

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## **Tutorial Questions**

### **Tutorial 5 : Receivables**

(a) How do you ascertain that the amount reported on Samsung's Statements of Financial Position for "Trade receivable" has taken into account bad debts? What is the balance of credit loss allowance reported by Samsung in 2021, and which approach under IFRS 9 does Samsung uses to measure its loss allowance?

(b) How much bad debt expense did Samsung report for 2021 in relation to its trade receivable? Can you find this figure in its Statement of Profit or Loss (SPL) or the notes relating to the SPL, and why do you think that is so?

(c) Calculate and compare the receivables turnover ratio and average collection period for Samsung for the financial years 2021 and 2020. Use current trade receivables amount.

Note: You will need to search for and extract the necessary 2019 financial figures to calculate your ratios for 2020. (*Hint: Look for the 2020 or 2019 annual reports online*)

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### **Tutorial 6: Cash and Current Liabilities**

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

(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?

(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?

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## **Tutorial Questions**

### **Tutorial 7: Inventory**

(a) What costing method does Samsung use for determining its cost of inventories? If costs included in inventories have declined on average during the period, would (i) the cost of ending inventories and (ii) cost of sales, be higher or lower if FIFO is used compared to the average cost method?

(b) How much did Samsung write down its ending inventories as of December 31, 2021 and December 31, 2020 from applying the lower of cost and net realizable value?

(c) Calculate and compare the inventory turnover and days' sale in inventory ratios of Samsung for the financial years of 2021 and 2020. (Use average inventory for your ratio calculations)

Note: You will need to search for and extract the necessary 2019 financial figures to calculate your ratios for 2020. (*Hint: Look for the 2020 or 2019 annual reports online*)

(d) Calculate the operating cycle and number of days' purchases in accounts (trade) payable of Samsung for the financial years of 2021 and 2020. Use the "Cost of Sales" figure from the Statement of Profit or Loss for calculate your ratios. How would you interpret Samsung's net operating cycle from the two ratios?

Note: You will need to search for and extract the necessary 2019 financial figures to calculate your ratios for 2020. (*Hint: You will also need to refer to some of the ratios you have calculated in Tutorial 5*)

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## **Tutorial Questions**

### **Tutorial 8: Long term assets (PPE)**

- (a) How do you ascertain that the amount reported on Samsung's Statements of Financial Position for PPE has considered accumulated depreciation? As of December 31, 2021, what is the total acquisition cost of Samsung's PPE and how much is the accumulated depreciation? What depreciation method(s) does Samsung use for its PPE?
- (b) Refer to Note 10, the total carrying amount of disposed PPE in 2021 is ₩166,623. What are your best estimates of the total acquisition cost and total accumulated depreciation of the disposed PPE?
- (c) How much net gain/loss on disposal of PPE did Samsung recognize on its Statement of Profit or Loss in 2021?
- (d) Calculate the fixed assets turnover and total assets turnover of Samsung for the financial years of 2021 and 2020. Note: You will need to search for and extract the necessary 2019 financial figures to calculate your ratios for 2020.
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### **Tutorial 9: Equity**

- (a) How many different types of share does Samsung have? Did Samsung issue any new shares in 2021?
- (b) What is the par value of each type of share, if any?
- (c) Calculate the price-earnings (PE) ratios for the financial year end of 2021 and 2022. Note: You will need to search for and extract the market price of Samsung. Use the closing price at December 30. (*Hint: For EPS, extract it directly from the financial statements*)
- (d) Refer to the Statement of Changes in Equity (SCE), what is the amount of dividends reported under Retained Earnings in 2021? Refer to Note 19(B), what is the amount of dividends for the year 2021 disclosed in the notes? Refer to the Statement of Cash Flows (financing activities section), what is the amount of dividends paid reported for 2021? How do you reconcile these three different figures for the financial year of 2021?
- (e) Calculate the dividend payout ratio for financial years 2021 and 2020 (*Hint: Use dividends based on the record date*).
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## **Tutorial Questions**

### **Tutorial 10: Statement of Cash Flows (SCF)**

- (a) Analyze Samsung's Statement of Cash Flows, what pattern can you identify from its three sections (operating, investing and financing) for the years 2021 and 2020, and how would you interpret it? Is there a net positive or negative cash flow for these two years?
- (b) The largest outflow of cash for Samsung in 2021 for its investing activities is the acquisition of PPE. Why do you think the acquisition of PPE figure reported on the Statement of Cash Flows does not tie with the acquisition of PPE figure disclosed in Note 10?
- (c) What is the largest outflow of cash for Samsung for its financing activities in 2021 and 2020?
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### **Tutorial 11: Financial statement analysis (FSA)**

Decompose Samsung's Return on Equity (ROE) which is attributable to owners using a DuPont framework analysis for the financial years of 2021 and 2020. Interpret the performance of Samsung along the three dimensions of the DuPont model.

Note: Please use the version of DuPont model that is covered in the lecture/textbook.

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~ End of Understanding FS - Samsung Assignment ~