Accounting Principles Assignment

21102052 Lee Jeong-Yun

1. Assignment # 2 – due to April 18, 2022, 09:59AM
2. Please find the news article, describing a Korean company’s financial situation or recent financial performance. Please summarize the main content of the news article by more than five sentences.

LG에너지솔루션, 2021년 영업이익 7,685억원으로 ‘흑자 달성’, 이코노믹리뷰 김보배 기자

<http://www.econovill.com/news/articleView.html?idxno=564461>

Sales also increased 42% year on year to 17.8519 trillion won

LG Energy Solution announced on February 8, 2022, that they achieved 4.4394 trillion won in sales and 75.7 billion won in operating profit in the fourth quarter of 2021.

Its annual management performance last year was 17.8519 trillion won in sales, 768.5 billion won in operating profit, and a 4.3% operating profit ratio.

This is an amount that includes one-time factors such as costs related to the recall of GM and energy storage devices (ESS) and settlement payments from competitors.

Excluding one-time costs, last year's sales were 16.8597 trillion won and operating profit was 917.9 billion won.

1. Please find the company’s financial statements on the Internet. You can visit the website: <https://dart.fss.or.kr/>

I chose LG Energy Solution.

1. Please find the original numbers to which the news article refers. Please include the company’s financial statements in your report. If the financial statements are written in Korean, please convert them into English.

|  |
| --- |
| Consolidated Income Statement |
| 2nd Period 3rd Quarter from 2021.01.01 to 2021.09.30 |
| (Unit : Million Won) |

|  | 2nd Period 3rd Quarter | |
| --- | --- | --- |
| 3 month | Accumlate |
| Sales | 4,027,414 | 13,412,546 |
| Cost of Goods Sold | 3,270,719 | 10,159,353 |
| Gross Profit | 756,695 | 3,253,193 |
| Selling and administrative expenses | 1,129,457 | 2,560,456 |
| Operating Income | (372,762) | 692,737 |
| Financial Income | 61,845 | 268,306 |
| Financial Expense | 137,756 | 285,451 |
| Income on Valuation Using Equity Method | (1,069) | (464) |
| Other non-operating income | 170,228 | 408,353 |
| Other non-operating expense | 183,519 | 408,131 |
| Income Before Income Tax Expense | (463,033) | 675,350 |
| Income Tax Expense | (262,979) | 46,906 |
| Profit from Continuing Operations | (200,054) | 628,444 |
| Net income from discontinued operations | (5,782) | 229,613 |
| Quarterly net income | (205,836) | 858,057 |
| Quarterly net income belonging |  |  |
| Controlling interest | (233,349) | 750,438 |
| Profit from Continuing Operations | (228,677) | 564,934 |
| Net income from discontinued operations | (4,672) | 185,504 |
| Non-controlling interest | 27,513 | 107,619 |
| Profit from Continuing Operations | 28,623 | 63,510 |
| Net income from discontinued operations | (1,110) | 44,109 |
| Earning Per Share |  |  |
| Basic earnings per common share and Diluted earnings per common share (In Korean Won) | (1,167) | 3,752 |
| Basic earnings per common share and Diluted earnings per common share for Continuing operation(In Korean Won) | (1,143) | 2,825 |

|  |
| --- |
| Consolidated Income Statement |
| 2nd Period from 2021.01.01 to 2021.12.31 |
| 1st Period from 2020.12.01 to 2020.12.31 |
| |  | | --- | | (Unit : Million Won) | |

|  | 2nd Period | 1st Period |
| --- | --- | --- |
| Sales | 17,851,906 | 1,461,068 |
| Cost of Goods Sold | 13,953,123 | 1,237,020 |
| Gross Profit | 3,898,783 | 224,048 |
| Selling and administrative expenses | 3,130,313 | 699,254 |
| Operating Income | 768,470 | (475,206) |
| Financial Income | 339,996 | 28,840 |
| Financial Expense | 295,258 | 138,843 |
| Income on Valuation Using Equity Method | (11,556) | 1,206 |
| Other non-operating income | 465,006 | 52,215 |
| Other non-operating expense | 489,474 | 73,066 |
| Income Before Income Tax Expense | 777,184 | (604,854) |
| Income Tax Expense | 76,523 | (147,345) |
| Profit from Continuing Operations | 700,661 | (457,509) |
| Net income from discontinued operations | 229,207 | 5,738 |
| Quarterly net income | 929,868 | (451,771) |
| Quarterly net income belonging |  |  |
| Controlling interest | 792,519 | (455,515) |
| Profit from Continuing Operations | 607,343 | (460,147) |
| Net income from discontinued operations | 185,176 | 4,632 |
| Non-controlling interest | 137,349 | 3,744 |
| Profit from Continuing Operations | 93,318 | 2,638 |
| Net income from discontinued operations | 44,031 | 1,106 |
| Earning Per Share |  |  |
| Basic earnings per common share and Diluted earnings per common share (In Korean Won) | 3,963 | (2,278) |
| Basic earnings per common share and Diluted earnings per common share for Continuing operation(In Korean Won) | 3,036 | (2,301) |

Operating margin = operating income / sale \* 100 = 768,470 / 17,851,906 \* 100 = 0.04304\*100 = 4.304%

17,851,906 - 13,412,546 = 4,439,360 million Won for fourth quarter’s sale

|  |
| --- |
| Consolidated statements of financial position |
| Period 2          2021.12.31 |
| Period 3          2020.12.31 |
| (Unit : 1 million Won) |

|  | 제 2 기 | 제 1 기 |
| --- | --- | --- |
| Assets |  |  |
| Current assets | 9,535,827 | 9,085,706 |
| Cash and cash equivalents | 1,282,880 | 1,493,145 |
| Trade receivables | 2,914,458 | 2,931,150 |
| Other receivables | 814,843 | 819,075 |
| Other current financial assets | 21,499 | 23,821 |
| Prepaid income taxes | 149,413 | 14,944 |
| Other current assets | 456,931 | 401,600 |
| Inventories | 3,895,803 | 3,043,138 |
| Assets held for sale |  | 358,833 |
| Non-current assets | 14,228,310 | 10,856,089 |
| Trade receivables | 67,055 | 26,291 |
| Other receivables | 92,271 | 81,585 |
| Other non-current financial assets | 193,820 |  |
| Investments in associates and joint ventures | 225,567 | 48,350 |
| Deferred tax assets | 1,855,198 | 1,356,096 |
| Property, plant and equipment | 11,050,777 | 8,683,614 |
| Intangible assets | 455,360 | 325,786 |
| Investment properties | 224,325 | 255,086 |
| Other non-current assets | 63,937 | 79,281 |
| Total Asset | 23,764,137 | 19,941,795 |
| Liabilities |  |  |
| Current liabilities | 9,474,017 | 6,889,227 |
| Trade payables | 2,177,736 | 2,592,309 |
| Other payables | 2,799,603 | 1,768,709 |
| Borrowings | 2,203,376 | 1,123,038 |
| Current provisions | 1,527,476 | 997,209 |
| Income tax payables | 155,467 | 73,762 |
| Other current liabilities | 610,359 | 334,058 |
| Liabilities held for sale |  | 142 |
| Non-current liabilities | 5,547,747 | 5,487,163 |
| Other payables | 10,672 | 5,849 |
| Borrowings | 4,765,817 | 5,036,286 |
| Other non-current financial liabilities | 126 | 41,768 |
| Provisions | 580,539 | 242,635 |
| Net defined benefit liabilities | 202 | 42,786 |
| Deferred tax liabilities | 59,168 | 27,463 |
| Other non-current liabilities | 131,223 | 90,376 |
| Total Liabilities | 15,021,764 | 12,376,390 |
| Equity |  |  |
| Equity attributable to owners of  the Parent Company | 7,966,116 | 6,879,615 |
| Share capital | 100,000 | 100,000 |
| Capital surplus | 7,122,437 | 7,231,468 |
| Accumulated other comprehensive income | 406,092 | 1,205 |
| Retained earnings(accumulated deficit) | 337,587 | (453,058) |
| Non-controlling interest | 776,257 | 685,790 |
| Total Equity | 8,742,373 | 7,565,405 |
| Total Liabilities and Equity | 23,764,137 | 19,941,795 |

|  |
| --- |
| Consolidated statements of changes in equity |
| Period 2 from 2021.01.01 to 2021.12.3 |
| Period 1 from 2020.12.01 to 2020.12.31 |
| (단위 : 백만원) |

|  | | Equity | | | | | | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Atrributable to the equity holders of the Parent Company | | | | | Noncontrolling  interests | Total |
| Share  capital | Capital  surplus | Accumulated  other  comprehensive  income | Retained  earnings  (accumulated  deficit) | Sub-total |
| As of December 1, 2020 | | 100,000 | 7,241,329 | 15,905 |  | 7,357,234 | 687,675 | 8,044,909 |
| Total comprehensive income for the period | Loss for the period |  |  |  | (455,515) | (455,515) | 3,744 | (451,771) |
| Remeasurements of net defined benefit liabilities |  |  |  | 2,457 | 2,457 |  | 2,457 |
| Exchange differences on translation of foreign operations |  |  | (15,307) |  | (15,307) | (5,629) | (20,936) |
| 기타포괄손익-공정가치금융자산 손익 |  |  |  |  |  |  |  |
| Cash flow hedge |  |  | 1,365 |  | 1,365 |  | 1,365 |
| 지분법자본변동 |  |  |  |  |  |  |  |
| Others |  |  | (758) |  | (758) |  | (758) |
| Total comprehensive income for the period |  |  | (14,700) | (453,058) | (467,758) | (1,885) | (469,643) |
| Transactions with owners of the Parent Company | Others |  | (480) |  |  | (480) |  | (480) |
| Business combination under common control |  | (9,381) |  |  | (9,381) |  | (9,381) |
| Total transactions with owners of the Parent Company, recognized  directly in equity |  | (9,861) |  |  | (9,861) |  | (9,861) |
| As of December 31, 2020 | | 100,000 | 7,231,468 | 1,205 | (453,058) | 6,879,615 | 685,790 | 7,565,405 |
| As of January 1, 2021 | | 100,000 | 7,231,468 | 1,205 | (453,058) | 6,879,615 | 685,790 | 7,565,405 |
| Total comprehensive income for the period | Profit for the period |  |  |  | 792,519 | 792,519 | 137,349 | 929,868 |
| Remeasurements of net defined benefit liabilities |  |  |  | (1,874) | (1,874) |  | (1,874) |
| Exchange differences on translation of foreign operations |  |  | 408,608 |  | 408,608 | 105,500 | 514,108 |
| Gain on valuation of financial assets at FVOCI |  |  | 3,700 |  | 3,700 |  | 3,700 |
| Cash flow hedge |  |  | (11,618) |  | (11,618) | (7) | (11,625) |
| Equity adjustments in equity method |  |  | 4,197 |  | 4,197 |  | 4,197 |
| others |  |  |  |  |  |  |  |
| Total comprehensive income for the period |  |  | 404,887 | 790,645 | 1,195,532 | 242,842 | 1,438,374 |
| Transactions with owners of the Parent Company | others |  | (109,031) |  |  | (109,031) | (152,375) | (261,406) |
| Total transactions with owners of the Parent Company, recognized directly in equity |  |  |  |  |  |  |  |
| Subtotal |  | (109,031) |  |  | (109,031) | (152,375) | (261,406) |
| As of December 31, 2021 | | 100,000 | 7,122,437 | 406,092 | 337,587 | 7,966,116 | 776,257 | 8,742,373 |

|  |
| --- |
| Consolidated statements of cash flows |
| Period 2 from 2021.01.01 to 2021.12.31 |
| Period 1 from 2020.12.01 to 2020.12.31 |
| (Unit : 1 million Won) |

|  | Period 2 | Period 1 |
| --- | --- | --- |
| Cash flows from operating activities | 978,585 | 395,360 |
| Cash generated from operations | 1,575,868 | 398,426 |
| Interest received | 19,616 | 2,681 |
| Interest paid | (71,210) | (5,652) |
| Income tax paid | (545,689) | (95) |
| Cash flows from investing activities | (2,178,121) | (884,812) |
| Cash inflow from investing activities | 1,759,193 | 13,663 |
| Decrease in other receivables | 614,400 |  |
| Decrease in other non-current receivables | 86,206 | 1,904 |
| Proceeds from disposal of investments in associates and joint ventures | 28,377 |  |
| Proceeds from disposal of property, plant and equipment | 59,100 | 4,145 |
| Proceeds from disposal of intangible assets | 1 |  |
| Government grants received | 348,545 | 7,614 |
| Cash inflows from transfer of business | 622,564 |  |
| Cash outflow from investing activities | (3,937,314) | (898,475) |
| Increase in other receivables | (11,755) | (603,266) |
| Increase in other non-current receivables | (83,165) | (1,379) |
| Acquisition of investments in associates and joint ventures | (209,132) |  |
| Acquisition of financial instruments | (116,285) |  |
| Acquisition of property, plant and equipment | (3,462,890) | (260,313) |
| Acquisition of intangible assets | (53,517) | (4,128) |
| Business combination | (570) | (29,389) |
| Cash flows from financing activities | 882,835 | (202,987) |
| Cash inflow from financing activities | 2,229,231 | 32,922 |
| Proceeds from borrowings | 1,640,170 | 32,922 |
| Paid in capital by non-controlling interests | 589,061 |  |
| Cash outflow from financing activities | (1,346,396) | (235,909) |
| Repayments of borrowings and others | (1,083,877) | (235,429) |
| Stock issuance cost |  | (480) |
| Subsidiary’s acquisition of treasury stock | (197,603) |  |
| Reduction of capital | (64,916) |  |
| Net decrease in cash and cash equivalents | (316,701) | (692,439) |
| Cash and cash equivalents at the beginning of the period | 1,493,145 | 2,200,000 |
| Effects of exchange rate changes on cash and cash  equivalents | 106,436 | (14,416) |
| Cash and cash equivalents at the end of the period | 1,282,880 | 1,493,145 |