**Face-to-face hand-in assignment #2**

**Submission Requirements**

* You must hand in your face-to-face submissions at the start of class. Late submissions will not be accepted.
* Face-to-face assignments must be typed.
* You must attempt to answer all questions, including any required calculations, in order to receive a passing grade.
* YOU MUST WORK ON YOUR OWN. INSTANCES OF PLAIGARISM WILL BE TAKEN SERIOUSLY.

**Part I – Leon’s Financial Statements:**

1. Provide a description of Leon’s. Include the business environment along with stakeholders that are relevant to Leon’s.

Leon’s Furniture Limited is one of the largest Canadian retailers for furniture, mattresses and home electronics. Nationwide, LFL encompasses 303 stores and 3 ecommerce properties. The marketing strategy for LFL merge the potential of their brick-and-mortar locations with their eCommerce properties. The stakeholders for LFL would include: The partner hotels, builders and property management companies. In addition, it would include all the employees in their 303 locations, the First Oceans Trading Corporation, Trans Global Insurance Company (“TGI”) and its sister company, Trans Global Life Insurance Company.

1. What pages can you find Leons’ audited financial statements and what are the names of the financial statements?

|  |  |  |
| --- | --- | --- |
| Page 28: Consolidated Statements of Financial Position  Page 29: Consolidated Statements of Income  Page 30: Consolidated Statements of Comprehensive Income  Page 31: Consolidated Statements of Changes in Shareholder’s Equity  Page 32: Consolidated Statements of Cash Flows  Page 45: Cash and Cash Equivalents, Inventories, Deferred Acquisition Costs | Page 46: Property, Plant and Equipment, Investment Properties    Page 47: Intangible Assets  Page 48: Provisions, Finance Lease Liabilities  Page 49: Loans and Borrowings  Page 50: Management Share Purchase Plan  Page 51: Common Shares, Revenue  Page 52-53: Expenses by Nature, Net Finance Costs, Income Tax Expense | Page 54: Earnings Per Share, Financial Instruments  Page 57: Trade and Other Payables, Finance lease liabilities, Loan and borrowings, Convertible debentures, Redeemable share liability  Page 58: Capital Management  Page 59: Commitments and Contingencies, Consolidated Statements of Cash Flows  Page 60: Related Party Transactions, Comparative financial information |

1. When in Leons’ year end?

Leon’s year ended on December 31.

1. What were Leons’ sales for the period and what was their comprehensive income?

The Sales for Leons for the period (2018) are $726,547.

Comprehensive Income (2018): $38,785

The Sales for Leons for the period (2017) are $723,255

Comprehensive Income (2018): $ 34,778

1. Calculate the Profit Margin for 2017 and 2018

Profit Margin (2018): $ 976,876 and 43.58%

Profit Margin (2017): $ 954,267 and 43.07%

1. What are the total assets and liabilities for Leon’s? How much is current and how much is non-current? If you take total assets minus total liabilities what is the value and what does this number represent?

1. What accounting standard does Leon’s report under? Explain why Leon’s would be required to report under this standard.

**Part II:**

Please complete the following question:

**Q1:**

Below is a simplified balance sheet for Southern Inc. (Southern):

|  |  |
| --- | --- |
| **Southern Inc.** | |
| **Balance Sheet** | |
| **March 31, 2019** | |
|  | |
| **ASSETS** |  |
| **Current** |  |
| Cash | **$ 900** |
| **Accounts receivable** | **27,700** |
| **Inventories** | **33,000** |
| **Other current assets** | **4,800** |
| **Total current assets** | **66,400** |
| **Property and equipment, net** | **7,200** |
| **Other assets** | **24,300** |
| **Total assets** | **$97,900** |
| LIABILITIES |  |
| **Total current liabilities** | **$53,600** |
| **Long-term liabilities** | **13,500** |
| **Total liabilities** | **67,100** |
| **SHAREHOLDERS’ EQUITY** |  |
| **Common shares** | **26,000** |
| **Retained earnings** | **4,800** |
| **Total shareholders’ equity** | **30,800** |
| **Total liabilities and shareholders’ equity** | **$97,900** |

Calculate the following on May 31, 2019 using Southern's balance sheet and a net income of $2,000.

1. Working capital
2. Return on Assets
3. Return on Equity

**Q2:**

You have been provided with the following alphabetical list of accounts for The Rock Ltd. for 2019. Use the information to prepare an income statement, statement of changes in equity, and statement of retained earnings the year ended December 31, 2019, and balance sheet or statement of financial position as of December 31, 2019. You should be able to figure out how to treat accounts that have names unfamiliar to you by applying your understanding of the financial statements learned in this chapter.

|  |  |  |  |
| --- | --- | --- | --- |
| Accounts payable | 10,000 | Furniture | 36,000 |
| Accounts receivable | 12,000 | Inventory | 9,000 |
| Accumulated depreciation | 4,000 | Long term debt (non-current portion) | 5,000 |
| Cash | 8,000 | Prepaid rent | 2,000 |
| Charitable donations | 500 | Rent expense | 1,000 |
| Common shares | 26,000 | Retained earnings (Dec 31, 2018) | 13,000 |
| Cost of sales | 2,000 | Salary expense | 5,000 |
| Current portion long term debt | 2,000 | Salary payable | 3,000 |
| Customer deposits | 1,000 | Sales revenue | 19,500 |
| Depreciation expense | 1,000 | Supplies expense | 2,000 |
| Dividends | 4,000 | Utilities expense | 1,000 |