**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. The LFL encompasses the companies of Leon’s, The Brick, Brick Outlet and the Brick Mattress Store. Nationwide, the LFL own 303 stores and 3 ecommerce properties. The marketing strategy for LFL merge the potential of their brick-and-mortar locations with their eCommerce properties. Using their e-commerce properties and their large retail establishments, they grow by selling mass quantities of their products to different large businesses and in-store items to individual customers. The stakeholders for LFL would include: their partner businesses, management, potential investors, customers, employees, shareholders. In addition, the stakeholders for LFL would include their suppliers, landlords, creditors and the government.

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?*

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The Sales for Leons for the period (2018) are $726,547. (Revenue so 2,241,437)

Comprehensive Income (2018): $38,785 (**107,773)**

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The Sales for Leons for the period (2017) are $723,255 (Revenue so 2,215,379)

Comprehensive Income (2017): $ 34,778

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1. *Calculate the Profit Margin for 2017 and 2018*

Profit Margin = (Net Income/Net Sales) \* 100

Profit Margin (2018): 4.9% = ((111,030/2,241,437) \*100)

Profit Margin (2017): 4.4% = ((96,593/2,215,379) \*100)

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?*

For the 2018 period, the total assets are $1,723,572 and the total liabilities is $866,210. For the 2018 period, the non-current liabilities are $258,690 and the current liabilities is $607,520

If you take the total assets minus total liabilities, the value outputted is $857,362 which represents the net worth. This is also referred to as the stockholders’ equity, which can be seen on the consolidated statements of financial position.

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

Leon reports under the International Financial Reporting Standards (“IFRS”). The accounting standard allow the data in the report to have comparability to other companies. This allows the statements to have more credibility and allows for Leon’s to make more accurate business decisions, based on this approved reporting standard.

**Part II:**

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

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1. Working capital

a. $12800 (Current Assets-Current Liability)

2. Return on Assets

a. 2% (2,000/97,900)

3. Return on Equity

a. 6.4% (2,00/30,800)

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.

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

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| **The Rock Ltd.** | |
| **Balance Sheet** | |
| **December 31, 2019** | |
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| **ASSETS** |  |
| **Current** |  |
| **Cash** | **$ 8,000** |
| **Accounts receivable** | **12,000** |
| **Inventories** | **9,000** |
| **Other current assets** | **22,000** |
| **Total current assets** | **51,000** |
| **Property and equipment, net** | **36,000** |
| **Other assets** | **1,000** |
| **Total assets** | **$88,000** |
| **LIABILITIES** |  |
| **Total current liabilities** | **$26,000** |
| **Long-term liabilities** | **10,000** |
| **Total liabilities** | **36,000** |
| **SHAREHOLDERS’ EQUITY** |  |
| **Common shares** | **26,000** |
| **Retained earnings** | **11,000** |
| **Total shareholders’ equity** | **37,000** |
| **Total liabilities and shareholders’ equity** | **$76,000** |
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| Statement of Changes in Equity  Common Shares $26,000  Shares Issue $0    **Share Capital**: $26,000  Opening Retained Earning $13,000  Net Income: $2,000  Dividend Declared: ($4,000)  **Retained Earnings:** $11,000 |

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| Income Statement:  **Revenue**: $19,500  **Expenses:**  Cost of Sales: ($2,000)  Utilities expenses: ($1,000)  Salary expenses: ($5,000)  Supplies expenses: ($2,000)  Charitable Donations ($500)  Rent expenses: ($1,000)  **Gross Profit:** $8,500  **Gains:**  Customer Deposits $1,000    **Losses:**  Depreciation expense: ($1,000)  Accumulated depreciation: ($4,000)  Current Portion long term debt: ($2,000)  **Net Income:**  $2,000 | Summary of the Financial Statement:  **Operating Activities:**  Accounts Payable: (10,000)  Accounts Receivable 12,000  Salary Payable (3,000)  Net Income 2,000  $1000  **Financing Activities:**  Dividend expense: ($4,000)  Common Shares: $26,000  $22,000  **Investing Activities:**    Furniture $36,000  Inventory $9,000 |

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Income Statement:

**Revenue**:

Sales Revenue $19,500

Cost of Sales: ($2,000)

Gross Profit: 17,500

**Expenses:**

Utilities expenses: ($1,000)

Salary expenses: ($5,000)

Supplies expenses: ($2,000)

Charitable Donations ($500)

Rent expenses: ($1,000)

**Gross Profit:** $8,500

**Gains:**

Customer Deposits $1,000

**Losses:**

Depreciation expense: ($1,000)

Accumulated depreciation: ($4,000)

Current Portion long term debt: ($2,000)

**Net Income:**  $2,000