

- T1
- T2
- T3
- T4
- T5
- T6 (week 8)
- T7
- T8
- T10
- T11
- T12

Tessa Zhang

tessa.zhang@anu.edu.au

Consultation 10–12 Thursdays, CBE 3.18

Work will be checked from WK3

Can only miss 2 tutorials

Make sure to have added photo by next week

Bring calculator to **ALL** classes

Best 3 of 4 quizzes will count for 15%

Mid-sem exam WK7 25%

10% from preparation and participation

Final exam 50%

Read ch1 2 and 3

Solutions on WATTLE at the end of the week

T1

1. Woolworths is in the retail industry. They generate profits mostly by acting as a market to enable the selling of produce from other companies on to consumers, with the actual profit coming from the markup of the price of the products.
2. Revenues, cost of sales, profit of continuing operations (main because they provide the largest numbers).
3. Main for balance sheet are assets, liabilities and equity.
4. Operating activities, financing activities and some other activity that i didn't catch. Just the big headings, really.
5. 24,205.2 (\$m)
6. 7558 (\$m)
7. arst
8. In brackets = outflow, therefore largest inflow is operating, largest outflow is the employee payment.

SA QNS

9. b
10. c
11. Faithful representation ensures that financial statements are not misleading intentionally, are not biased in any way, and are kept objective.

Company Name, Title, and Date very important to put on the balance sheet.

- Expenses not involving cash outlays e.g. depreciation and bad debts.

Financial Position: balance sheet

Financial Performance: income statement

T2

1. b
2. c
3. c?
- 4.

T3

mid-sem exam week 7

[illegible]

quiz next week

Relevance is the other qualitative thingy majig - so faithful representation and relevance

Deferred income = liability

Categories that shit can currently be: Asset, liability, expense, equity

Expense and revenue closed off at the end of each period, so fresh at the open of each period

This period's opening balance = last period's closing balance

Helps to nest with double entry system, i.e. nest credits under debits, to make sure that they match

Debit entry comes first **ALWAYS**

$$\text{profit} = \text{rev} - \text{exp}$$

Assets and liabilities NOT in inc stat

Rev and Exp not in balance sheet

T4

1. a. No, no cash flows? also hasn't occurred yet, so just no. Only internal. Tick
- b. Yes, as there would be changes to accounts, specifically to accounts receivable and inventory? Tick
- c. Yes??? probs not.... shit
- d. yes
- e. yes, cash and vehicles
- f. maybe, as the accounts would need to be adjusted to reflect this event.
- g. no

RULES FOR A TRANSACTION

1. Must have exchange which has occurred in the past
2. Must be between company and external party:

Recheck how to do the income statements (something about p and l)

Allowance for DD = contra-asset

T5

1. Adjusting journal entries is performed to implement accrual accounting by recognising economic events that are not yet adequately accounted for by the standard transactional accounting system.
2. a
3. c
4. a
- 5.

T6 (week 8)

1. They consider they five steps for preparation to be:
2. Learning about the enterprise and it's plans.
3. Obtaining a clear understanding of the decision or evaluation to which the analysis will contribute

4. Calculating the ratios, trends and other figures that apply to the specific problem
5. Finding whatever comparative information available to provide a frame of reference for your analysis.
6. Focus on the analytical results that are most significant to the decision-maker's circumstances, and integrate and organise the analysis so that it will be of most help to the decision-maker
7. Divisions:
8. Coles
9. Home Improvement and Office Supplies
10. Department store retailing
11. Industrial
12. Insurance

Woolworths deals also in retail (Big W) and groceries, as well as (at least then) hardware and home improvement. Woolworths however deal in hotels, which Coles does not.

Woolworths also operates in New Zealand.

13. 2014

REO = 23.4%

ROA = 10.2%

AROA = 15.6%

PM = 4.05%

APM = 6.21%

GM = 26.82%

CFTTA = 14.35%

EPS = 196.5

PTE = 18.15 (2013 17.97)

DPR = 7.59

General tips for quiz 3:

Draw on lots of evidence, e.g. things from annual report, comments from analysts, other media/news sources

Properly cite sources, avoid quoting directly

Use business English (no abbreviations, e.g. don't, won't)

stuff from topic 6 is apparently helpful

T7

1. a
2. a?
3. To seem smartererererereerer, calculate perecentage changes. It looks better, anddemonstrates that you actually sort of know what you're doing.

e.g. "Cash flows from omperation is positive in both years but it has decreased substantially from \$1417m in '13 to 1069m in 2014 (24% change). Cash flows from investing activities have seen a small positive change. Sustantial chanege in cash from financing activities, which has changed from negative to positive, which is a very favourable outcome.

9.osmething. Negative for operating, more than last year. they're in the shit tbh. No income tax at all, everything else has increased, Shit just went out the window for them, which was nay good for business laddie. Expanded too quickly, did a Roman empire.

practise doing all forms of statements this weekend, because you're shit at them

T accounts useful for cash flows, so get practising these nigger

Can take dividends straight from income statement, as there is no opening balance

T8

1. Cash control: locked registers, proper accounting, person verification (i.e. signatures on checks), frequent cash deposits, segregation of duties, cheques should be endorsed with a stamp to prevent fraud
- b. Inventory control: security, check records against current stock, lock warehouse, only accessible to people responsible for handling inventory, segregation of duties again
- c. Accounts Receivable: subsidiary ledgers for each debtor, different person in control of this than the one in control of the main control account, be on top of payments, make sure that your accounts receivable are paid on time.

7.19: don't know how to do this shit

1. b

10.6 This can result in increased profits because these suppliers aren't providing what they are paid for. They are maintaining more inventory than they would should for the same price. This could perhaps be prevented by increased security and more rigorous checking. Cameras, guards, physical inspections, x-rays.

10.7 Could lock down shit when he arrives, view recent arrivals, subtract those from total inventory. It works by boosting the inventory of all the stores using only the inventory of one place. Multiple things actually is only one.

Bank reconciliation: reconciling between bank statement and company record of cash at bank (ideally)

Can differ because of:

1. Time differences, records appearing on company record but not on bank statement.
2. Error, usually from the accountant at the company

Template for BR on TB pg. 291

Credits and debits are the reverse for each, i.e. Bank statement Dr. = Company's Cr.

T10

1. Wrote off \$250m, probably because the company couldn't pay. From Tessa:
When you think they may have difficulty in meeting the obligation, like making provision for doubtful debts. So not writing off, but being careful with shit?

2a. expected profit is approx \$620k

2b. It's 620k + the offer, not minus

for the question that I couldn't do:

For plan A, there is no obligation to pay back. The additional profit available to exiting ordinary shareholders is higher. Less risky, as don't have to pay back.

For plan B, advantages: interest expense is tax deductible and profit(?). Still not bad for existing shareholders, but not as good as issuing shares.

Disadvantages: no dilution of existing ordinary shareholders' ownership interest.

2c. Nah m8, that's a huge chunk of profit gone.

2d. If declining the offer will have a some problems,

3a. profit of \$476k

3b. profit of \$524k

2. Should be subcontracted, as it brings down the total cost of production
For 3b, if the school allocates fixed overhead cost to each of their product lines (but their overheads wouldn't change), bagpipes make a positive contribution to profit of 46,000. (Contribution margin = Sales price - variable cost. Even though there is still a loss, the contribution margin itself is still positive, so it is better to leave the bagpipes running.

T11

- 1a. Breakeven point is when the firm is neither making a profit or a loss, they are only covering their expenses
- b. They can always aim to operate above this point? Helps with planning activity level of the company. "Determine activity level required to tcover all costs associated with the product, business, etc. Assess activity required to achieve profit targets beyond the braeak even point. Assess margin of safety, which provides an indication of risk involved.
- c. The breakeven point should increase, as lower prices lowers the contribution per unit, and this increases the number units of that must be sold to reach this point.

2a. i think it's around 34091

b. \$375000

c. idk what this. **Contribution = Sales - variable costs**

d. 2272 extra units?

1. idk
2. d
3. c
- 4.

Tessa availablef from 10–12, and then another two hours in the afternoon next thursday (check wattle 4Head)

go to the revision tute on thursday as well, doing that stupid bank reconciliation thingy

T12

small proprietary companies do not need to follow the GAAP, whereas lised pucbic companies have to tfoollow GAAP, AASB, IFRS

Large proprietary companies: majority of large proprietary companies do not follow tfuull AASB standards but logde special purpose finanical statments with ASIC

Preparation using the indirect method

Check the book

- non-cash expenses
 - non-cash revenues
 - decrease in accounts receivable, inventory and prepayments
 - increase in accounts payable and accrued expenses
 - decrease in accounts payable and accrued expenses
-
- increase in accounts receivable, inventory and prepayments
= cash flow from operating activities