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**DATE:05/07/17.**

**Assignment 2**

FINANCE & ACCOUNTING – SENIOR ACCOUNTANT Analysis

**Due Date: Week 5**

*Note: While representative of possible situations faced by SunsTruck Sunglasses, all scenarios in this assignment are fictional.*

Real Business

Large discount retailers like Target and Walmart employ large teams of Finance and Accounting professionals to help measure and understand the financial health of the business. Financial and accounting information helps these businesses make educated financial decisions, such as whether or not to continue partnering with a retail supplier. While often smaller businesses, it is equally important for these retail suppliers to use financial and accounting data to make educated decisions, such as the best approach to gaining additional funding.

Your Role

This week, you’ll assume the role of Senior Accountant with SunsTruck Sunglasses.

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| What Is a SENIOR ACCOUNTANT?  Senior accountants take ownership of reporting costs, profitability, margins and expenditures for a given business. They use the principles of accounting to analyze sales information, create financial reports, make recommendations about the financial health of the company, and more. They are also responsible for training junior accounting staff. |

For the last six months, SunsTruck has partnered with the discount retail store to run a pop-up sunglasses stand in their stores for a big summer promotion. Due to the high customer purchase rate, the store has requested stock for five additional stores. SunsTruck needs to increase its capacity to meet the additional demand. In order to do so, SunsTruck needs additional money.

In this assignment, you will need to help determine which type of financing option is best for your company and train your junior accountants on the accounting cycle and financial statements.

Instructions

Step 1: FINANCING

The junior accounting team has assembled a Financing Report that (a) offers three options for securing the additional funds required to meet the new order; and (b) details the criteria Shaun, the owner of SunsTruck, would like you to consider when choosing one of the three options. Based on this report:

* Identify which financing option you think is the best option for SunsTruck to pursue given Shaun’s constraints. Underline your selection:
* Option 1: Equity
* Option 2: Debt
* Option 3: Debt + Self-Financing

Please explain the rationale for your decision.

The reason I would like to go for Debt and Self-financing is because business can easy grow if we can turn the product we are dealing into cash as quick as possible. In this case, the is a high demand of goods which makes it possible to look for some money to meet the need which would bring some money soon. Therefore, a lot of cash which is not needed at this moment for other expenses need to be pumped into the business because it is going to be replaced in a short period of time after supplying the goods and get paid. Moreover, some little debt can be put into the business so that little interest can be paid back after paying back the Debt. I would like to go for the Loan of $100 000 because It is a smaller amount which can be paid easy in 7 years and would pump in the $ 50 000 which would help to increase out money because the profit this money will generate will not pay interest. Instead it will be added to the Business Capital.

Note: You should complete Steps 2 & 3 after reading the material in Week 5.

Step 2: ACCOUNTING CYCLE

A junior accountant is working to get everything in order for the new financing and has come to you with a question about what do next in the accounting cycle.

* Read the email the junior accountant sent you and identify the best next step to take in the accounting cycle. Please explain your reasoning.

After reviewing the email and the data, I have concluded about the next step to take. I think the next step is to prepare the trading, profit and loss account to see if the company has made a profit or loss so that you can know where the company stand. I can see some purchase of different items and some expenses made on different items as well. Therefore, the above-mentioned statement is the only financial document which needs to be prepared with the data in the email. After finding whatever is going to be found either profit or loss, this will be good for the nest financial statement which is the Balance sheet.

Step 3: FINANCIAL STATEMENTS

A potential investor has been identified, but before it is willing to commit, it has requested information about SunsTruck’s current debt from the junior accountants.

* Identify the correct financial statement for your junior accountants that will provide the investor with the information it has requested. Underline your selection:
* Income Statement
* Balance Sheet
* Cash Flow Statement

Please explain to your junior accountants why you are giving them this financial statement and where the debt information is located.

I am going to give you the balance sheet which is showing the financial health of our company. It is showing where our current assets and liabilities which is in this document. They can check our current liabilities which is broken down into long term one and short term ones. Under there that where they can see what the company’s debts is and make a sounding decision from there. I hope that information would be helpful to find where our total debit is located which is the total liabilities.