

## Assessment Brief

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### Unit and Assessment Details

Course Title:	HND Business
Unit Number:	60
Unit Title:	Financial Reporting
Assessor:	Usman Saddique
Internal Verifier:	Bilal Ahmad
Assessment Title:	Importance and uses of financial reporting
Assessment Method:	Report
Assessing in:	Individually
Number of Words:	1200 words ( <b>max 12</b> pages)
Outcomes Covered:	1, 2, 3 & 4
Issue Date:	Jan 9, 2012
Pre-submission Date:	Jan 18, 2012
Due Date:	Jan 30 , 2012

### Statement of Authenticity

College No.	Learner Name	Learner Signature
<i>Learner's Declaration: I confirm that the work submitted for this assignment is my own.</i>		
		<i>Date</i>

### Outcome Covered

Outcome	Description
1	Understand the regulatory framework for financial reporting
2	Be able to prepare financial statements from complete or incomplete records
3	Be able to present financial information in accepted formats for publications
4	Be able to interpret financial statements

**Tracking Sheet** (*Mention A for Achieved & NA for Not Achieved*)

<b>Outcome</b>	1.1	1.2	1.3	1.4	2.1	2.2	2.3	3.1	3.2	4.1	4.2
<b>A/NA</b>											

<b>Outcome</b>	M1	M2	M3	D1	D2	D3
<b>A/NA</b>						

**Assessor's Signature** \_\_\_\_\_ **Date** \_\_\_\_\_

*NOTE: Attach this page as first page of your report*

**Purpose and Aim:**

The aim of this assignment is to assess the knowledge of the learner gained inside and outside the class through case studies and also to interpret financial statements by using different tools

**Tasks 1 (Outcome 1.1, 1.2, 1.3 & 3.1)**

- List all the users of financial statements and briefly explain why do certain users need financial statements
- Explain in your words the International Financial Reporting standards (IFRs) and International Accounting Standards Board (IASB)
- What are the advantages of financial statements for the users of financial statements?
- Explain Generally Accepted Accounting Practice (GAAP) and major principles included.
- Explain how the information needs of different user groups vary

**Guidelines for Task 1:**

- Read chapter 11 from the Edexcel unit book Financial Reporting

**Scenario 1:** Javed Enterprises operates several miniature golf courses, all of which are located on rented land within city parks. Shown below is the company's adjusted trial balance at December 31, 2001. The company closes its accounts at the end of each calendar year

Javed Enterprises Adjusted Trial Balance December 31, 2001		
Cash	\$ 41,100	
Accounts Receivable	7,800	
Buildings	180,000	
Accumulated Depreciation: Buildings		\$ 36,000
Golf Course Structures	270,000	
Accumulated depreciation: Golf Course Structures		90,000
Accounts payable		23,100
Salaries payable		6,900
Javed Capital (December 31, 2001)		331,560
Javed drawing	75,000	
Admission revenue		576,000
Advertising expense	45,000	
Rent expense	108,000	
Repair expense	15,600	
Salaries expense	237,000	
Light & power expense	13,500	
Depreciation expense: Buildings	18,000	
Depreciation expense: Golf Course structures	45,000	
Insurance expense	7,560	
	<u>1,063,560</u>	<u>1,063,560</u>

**Task 2 (Outcome 2.1)**

- Prepare an income statement and a statement of owner's equity for the year ended December 31, 2001
- Prepare a Balance Sheet as of December 31, 2001
- Is 2001 the first year of operations for Javed Enterprises?
- Assume that Javed invested \$300,000 to start Javed enterprises. Does the difference between the owner's capital at December 31, 2001, and this \$300,000 initial investment equal the amount of profits generated by the business since inception? Explain briefly.
- Prepare journal entries to close the accounts. Use four entries: (1) to close revenue account, (2) to close the expense accounts, (3) to close the income summary account, and (4) to close the owner's drawing account.

**Scenario:** Suleman operates a private investigating business called Suleman Investigations. Some clients are required to pay in advance for the company's services, while others are billed after the services have been rendered. Advance payments are credited to an account entitled Unearned Retainer's fee, which represents unearned revenue. The business adjusts its accounts each month and closes its accounts at the end of each quarter. At March 31, the end of the first quarter the trial balance appeared as follows

<b>Suleman Investigations</b> <b>Trial Balance</b> <b>March 31, 2001</b>		
Cash	\$ 17,150	
Fees receivable	37,800	
Unexpired insurance	1,600	
Prepaid rent	5,400	
Office supplies	1,050	
Office equipment	17,100	
Accumulated depreciation: office equipment		\$ 5,700
Accounts payable		3,900
Unearned retainer fees		24,000
Suleman capital		45,300
Suleman drawing	3,200	
Fees earned		33,320
Depreciation expense	570	
Rent expense	3,000	
Office supplies expense	450	
Insurance expense	800	
Telephone expense	1,200	
Travel expense	3,400	
Salaries expense	<u>19,500</u>	
	<u>112,200</u>	<u>112,220</u>

Other information

- The useful life of the office equipment was estimated at five years
- Fees of \$8,400 were earned during the month from services performed for clients who had paid in advance
- Salaries earned by employees during the month but not yet recorded or paid amounted to \$1,665
- On March 1, the business moved into a new office and paid the first three months' rent in advance
- Investigative services rendered during the month but not yet collected or billed to clients amounted to \$3,900
- Office supplies on hand March 31, amounted to \$700
- On January 1, \$2400 was paid as the premium for six months' liability insurance.

**Task 3 (Outcome 2.1)**

- Prepare the adjusting entries required at March 31
- Determine the amount of net income to be reported in the company's income statement for the quarter ended March 31, 2001

**Scenario:** shown below in random order is a list of balance sheet items for Red River Farms at September 30, 2001:

Land	\$550,00	Fences and gates	\$ 33,570
Barns and Sheds	78,300	Irrigation system	20,125
Notes payable	530,000	Cash	16,710
Accounts receivable	22,365	Livestock	120,780
Citrus trees	76,650	Farm machinery	42,970
Accounts payable	77,095	Hollis Roberts capital	?
Property taxes payable	9,135	Wages payable	1,820

**Task 3 (Outcome 2.2)**

- Prepare a balance sheet by using these items and computing the amount for Hollis Roberts, Capital.
- Assume that on September 30, immediately after this balance sheet was prepared, a tornado completely destroyed one of the barns. This barn had a cost of \$23,800 and was not insured against this type of disaster. Explain what changes would be required in your September 30 balance sheet to reflect the loss of this barn.

**Scenario:** Hollywood scripts is a service type enterprise in the entertainment field and its owner, William Pippin has only limited knowledge of accounting. Pippin prepared the balance sheet below which, although arranged satisfactorily contains certain errors with respect to such concepts as the business entity and asset valuation.

<b>Hollywood Scripts Balance Sheet November 30, 2001</b>			
<b>Assets</b>		<b>Liabilities &amp; Owner's Equity</b>	
Cash	\$ 5,150	Liabilities	
Notes Receivable	2,700	Notes Payable	\$ 67,000
Accounts receivable	2,450	Accounts Payable	<u>35,805</u>
Land	70,000	Total Liabilities	\$ 102,805
Building	54,320	Owner's Equity	
Office furniture	8,850	William Pippin Capital	<u>63,065</u>
Other assets	<u>22,400</u>	Total	<u><u>\$165,065</u></u>
Total	<u><u>\$165,870</u></u>		

In discussion with Pippin and by inspection of the accounting records, you discover the following facts.

- The amount of cash, \$5,150, includes \$3,400 in the company's bank account, \$540 on hand in the company's safe, and \$1210 in Pippin's personal savings account.
- One of the notes receivable in the amount of \$500 is an IOU that Pippin received in a poker game several years ago. The IOU is signed by B.K whom Pippin met at the game but has not heard from since.
- Office furniture includes \$2,900 for a Persian rug for the office purchased on November 20. The total cost of the rug was \$9,400. The business paid \$2,900 in cash and issued a notes payable to Zoltan carpet for the balance due (\$6,500). As no payment on the note is due until January, this debt is not included in the liabilities above.
- Also included in the amount for office furniture is a computer that cost \$2,525 but is not on hand because Pippin gave it to daughter to use it at university.
- The "other assets" of \$22,400 represent the total amount of income taxes Pippin has paid the federal government over period of years. Pippin believes the income tax law to be unconstitutional, and a friend who attends law school has promised to help Pippin recover the taxes paid as soon as he passes the bar exam.
- The asset "Land" was acquired at a cost of \$39,000 but was increased to a valuation of \$70,000 when a friend of Pippin offered to pay that much for it if Pippin would move the building off the lot.
- The accounts payable include business debts of \$32,700 and the \$3,105 balance owed on Pippin's personal master card.

**Task 4 (Outcome 2.3 & 3.2)**

- Prepare a corrected balance sheet at November 30, 2001

**Scenario:** A recent balance sheet of Tootsie Roll industries included the following items, among others

Cash	\$ 47,524
Marketable securities	55,926
Accounts receivable	23,553
Inventories	32,210
Prepaid expenses	5,736
Retained earnings	121,477
Notes payable to banks (due within 1 year)	20,000
Accounts payable	5,912
Dividends payable	1,424
Accrued liabilities (short term)	21,532
Income taxes payable	6,438

The company also reported total assets of \$353,816 thousand, total liabilities of \$81,630 thousand and a return on total assets of 18.1%

**Task 5 (outcome 4.1 & 4.2)**

- Compute Tootsie Roll's
  - Quick ratio
  - Current ratio
  - Working capital
  - Debt ratio
- Discuss the company's liquidity from the view points of
  - Short term creditors
  - Long term creditors
  - Stockholders

## Grading Statement (For Report)

### Pass

1.1	Describe the different users of financial statements and their needs
1.2	Explain the legal and regulatory influences on financial statements
1.3	Assess the implications for users
1.4	Explain how different laws/regulations are dealt with by accounting and reporting standards
2.1	Prepare financial statements for a variety of businesses from a trial balance, making appropriate adjustments
2.2	Prepare financial statements from incomplete records
2.3	Prepare a consolidated balance sheet and profit and loss account for a simple group of companies
3.1	Explain how the information needs of different user groups vary
3.2	Prepare financial statements in a form suitable for publication by a sole trader, partnership and limited company
4.1	Calculate accounting ratios to assess the performance and position of a business
4.2	Prepare a report incorporating and interpreting accounting ratios, including suitable comparisons

### Merit & Distinction

<b>M1</b>	Balance sheet, income statement, statement of owner's equity shall be in proper accepted format
<b>D1</b>	Appropriate currency signs shall be included in the financial statements

### Notes to Students

- Include a last chapter in your report about the limitations of your report and write any difficulty you faced while collecting data. Critically evaluate your work if possible.
- Give proper evidence of all your activities for completing the tasks e.g. videos, pictures, visiting cards, or reference letter of personnel from whom data is collected.
- The safety of your assessments is your responsibility. You must not permit another student access to your work. And upon completion of each task keep a backup of the work completed by for e.g. keeping a copy in your email inbox etc. So, that no excuses are put forward on the day of submission.

### Plagiarism Policy

The college has strict penalty for plagiarism and the assignment will be cancelled if the assignment is observed for this.

The definition and scope of plagiarism are presented below:

Plagiarism occurs when a student misrepresents, as his/her own work, the work, written or otherwise, of any other person (including another student) or of any institution. Examples of forms of plagiarism include:

- The verbatim (word for word) copying of another's work without appropriate and correctly presented acknowledgement;
- The close paraphrasing of another's work by simply changing a few words or altering the order of presentation, without appropriate and correctly presented acknowledgement;

- Unacknowledged quotation of phrases from another's work;
- The deliberate and detailed presentation of another's concept as one's own.

All types of work submitted by students are covered by this definition, including, written work, diagrams, designs, engineering drawings and pictures.

### **Resources Required**

- Business essentials: Financial Reporting
- Accounting. 11<sup>th</sup> edition. Meigs

### **General Instructions**

- Books and online resources can be used of the college library and Central Computer Lab for any assistance. But direct copying from these resources is not allowed.
- Visits need to be arranged and made to the organizations. For meeting the respective managers, the college will provide a reference letter for the project and the manager of the organization is welcome to contact the administration at the college
- The college has strict penalty for plagiarism and the assignment will be cancelled if the assignment is observed for this.
- Proper referencing should be given in the Harvard Style/Chicago/MLA etc.
- All work should be comprehensively referenced and all sources must be acknowledged fully, this includes books & journals used as well websites visited. Details such as page numbers, publishers and publication year should also be stated, in addition to the name of the author(s) and publication. Books, articles and journals should be the main sources; online sources are allowed up to 15%
- The Assignment should have a cover page that has assignment title, assignment number, course title, unit title, lecturer / tutor name and student's name.
- Attach all the pages of assignment brief with your report as annexure at the end.
- Ensure that statement of authenticity has been signed and attached as the first page of your report.
- Contents sheet (TOC) with a list of all headings and page numbers is must for your report.
- Use A4 page size, 12 point Arial or Times New Roman font with 1.5 line spacing.
- Your assignment should be word-processed and should not exceed 4500 words in length (or 20 pages). Exhibits / appendices are outside this limit
- Pages should be numbered (bottom right hand corner)
- Spell-check the document and read thoroughly for grammatical errors

## Feedback to Learner

Criteria	Feedback to learner (Evidence presented against the published criteria)
1.1	
1.2	
1.3	
1.4	
2.1	
2.2	
2.3	
3.1	
3.2	
4.1	
4.2	
M1	
D1	

<b>General comments</b>	
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<b>Assessor signature</b>	<b>Date</b>
<b>Internal Verifier signature</b>	<b>Date</b>

**Internal Verifier**

**Assessor**