

MODULE 03: FINANCIAL ANALYSIS

Lecture Title 08: Revision Session No. 1



Lecturer: Antoine P. Portelli

Date: 31 January 2024

**Undergraduate Diploma in
Business Administration**

Module Outline

Introduction
to Accounting
Concepts

Financial
Systems

Accountancy
Techniques &
Ratios

Short-Term vs
Long-Term
Decisions

Evaluation
Financial
Statements

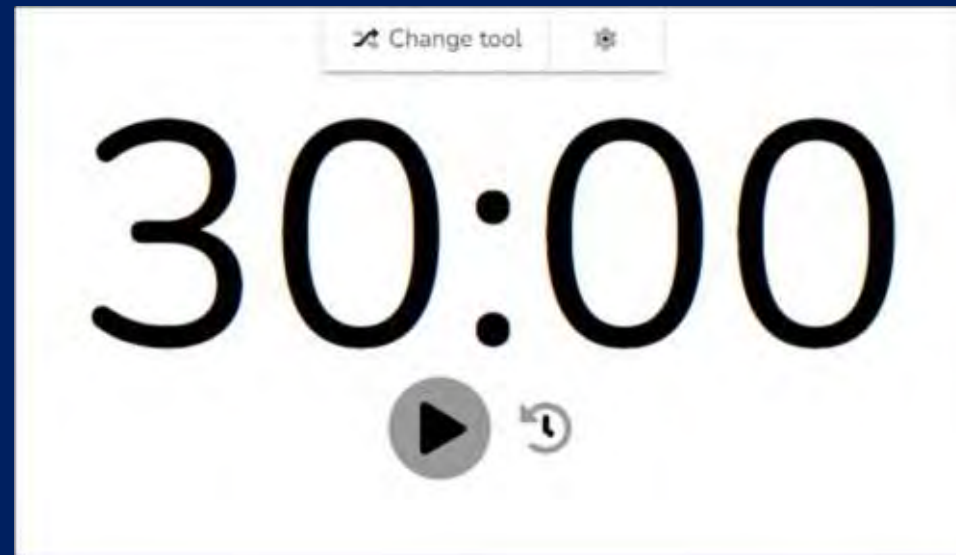
Financial
Forecasts

Group
Presentations
& Assignment

Tutorials



Self-Assessment



Group Presentations

1	2	3	4
Anushree Dhunghel	Gurbhag Singh	Marina Selivanova	Bimash Pariyar
Gaganjot Singh	Manjot Singh	Muhammad Moaz	Rina Karki
Lokesh Rana	Manpreet Khaur	Varinder Singh	Rohit Kumar
Panth Piyar Singh	Nitish Singh	Mahimaben Bhupendrabhai Parmar	Sajan Rai
	Sahil		Sukraman Lama
			Vipin Yadav

Group Presentations

Group 1

**EIH Associated Hotels
Limited**

Group 2

**Torrent Pharmaceuticals
Limited**

Group 3

**Ultramarine & Pigments
Limited**

Group 4

Astral Limited



Presentations

The 4 Annual Reports links are:

A. Ultramarine & Pigments Limited

- <https://www.learnstockmarket.in/ar/Ultramarine-Pigments-Annual-Report-2023.pdf>

B. Astral Limited

- <https://www.bseindia.com/xml-data/corpfiling/AttachHis//aa9741a9-f026-474d-9169-5be6f7a1a073.pdf>

C. Torrent Pharmaceuticals Limited

- <https://www.bseindia.com/xml-data/corpfiling/AttachHis//6fe845d6-918b-4ab8-9efd-36588666eed.pdf>

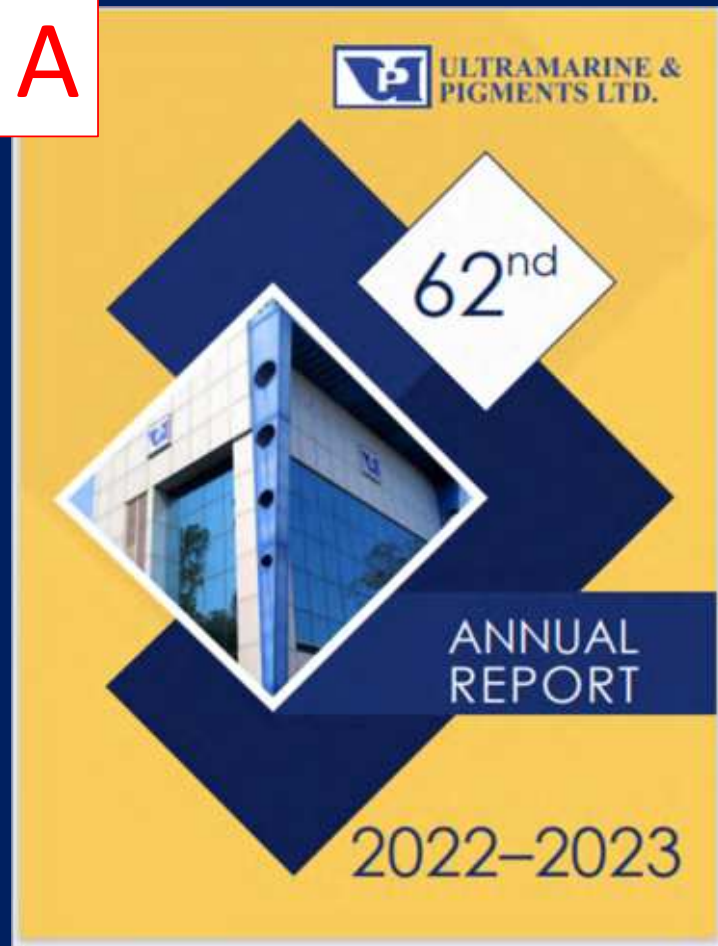
D. EIH Associated Hotels Limited

- <https://www.bseindia.com/xml-data/corpfiling/AttachHis//ba1422ed-e814-4d1a-9896-94ce3ae8d893.pdf>



Presentation

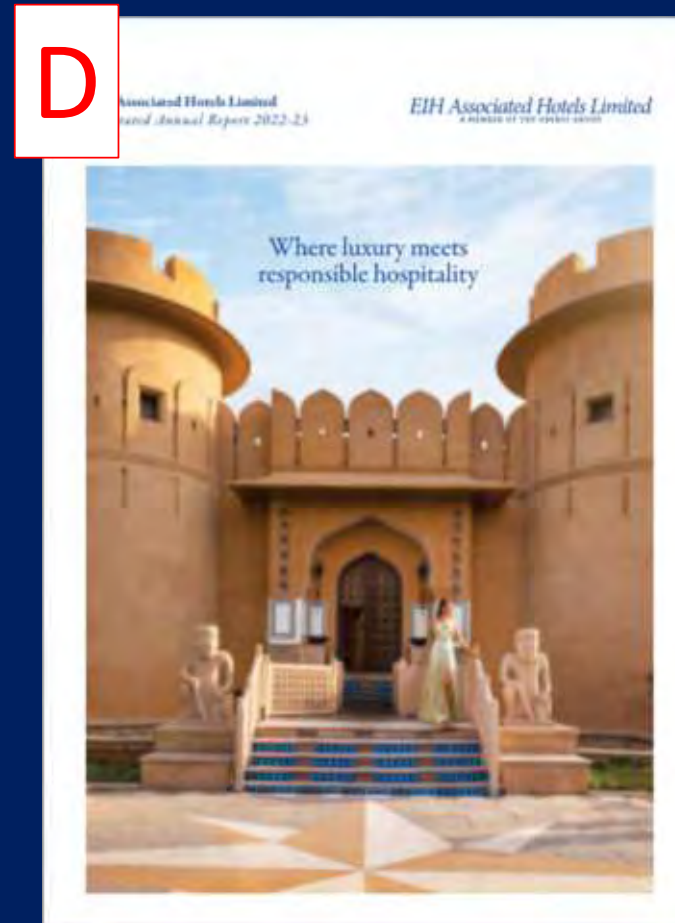
A



B



Presentation



In-Class Group Presentation

- 20 minute presentation
 - using power point
 - built together (mostly during supervised sessions)
 - delivered during last session – Wednesday 7 February
 - by all group members
 - questions asked by colleagues and tutor



In-Class Group Presentation

- Effective presentations
 - choosing the right font and font size
 - understanding the importance of simplicity
 - when to use transitions and animations
 - how to use the colour wheel
 - list and understand the different types of visual aids



In-Class Group Presentation

- Tips
 - Adding facts and figures to a presentation increases audience retention by 20%
 - Presentations with visual aids are 43% more persuasive than the same presentations without visuals.
 - 91% of presenters feel more confident presenting with a well-designed slide deck



In-Class Group Presentation

- Before Starting
 - Know your stuff
 - Know your audience
 - Write it out
 - Rehearse



In-Class Group Presentation

- Fonts
 - This is a Sans Serif font
 - This is a Serif font



In-Class Group Presentation

- Fonts
 - This is a comic font
 - *This is script font*



In-Class Group Presentation

- Keep Text to a Minimum
 - Powerpoint is there as your presentation aid **not the main source of information.**



In-Class Group Presentation

- Keep Text to a Minimum
 - Powerpoint is there as your presentation aid **not the main source of information.**
 - If you really need to text heavy a slide, **gradually** reveal it when needed.



In-Class Group Presentation

- Keep Text to a Minimum
 - Powerpoint is there as your presentation aid **not the main source of information.**
 - If you really need to text heavy a slide, **gradually** reveal it when needed.
 - Include **only the main speaking points** in the form of short concise bullets.



In-Class Group Presentation

- Keep Text to a Minimum
 - Powerpoint is there as your presentation aid **not the main source of information.**
 - If you really need to text heavy a slide, **gradually** reveal it when needed.
 - Include **only the main speaking points** in the form of short concise bullets.
 - Chunks of text will **tempt you to read** from the slides rather than communicate with audience.



In-Class Group Presentation

- Keep Text to a Minimum
 - Powerpoint is there as your presentation aid **not the main source of information.**
 - If you really need to text heavy a slide, **gradually** reveal it when needed.
 - Include **only the main speaking points** in the form of short concise bullets.
 - Chunks of text will **tempt you to read** from the slides rather than communicate with audience.
 - Otherwise, the **audience may be reading** rather than listening to you.



In-Class Group Presentation



- Keep it Simple
 - Do not fill up empty spaces with unnecessary elements
 - This will NOT help audience in understanding what you are saying
 - The less clutter in a slide, the more impact your visual message will have
 - Design elements should be kept at minimum to prevent distraction, such as a simple background

In-Class Group Presentation

- Limit Transition and Animations
 - Using lots of animations is **distracting and amateurish**
 - It can also be **problematic and frustrating** to view presentation on different devices
 - Use them **only for a purpose**, such as to reveal the stages of a process.
 - Use only subtle animations, such as **“Fade”, “Appear”** etc.
 - Do not use more than 3 different types of animations in one slide



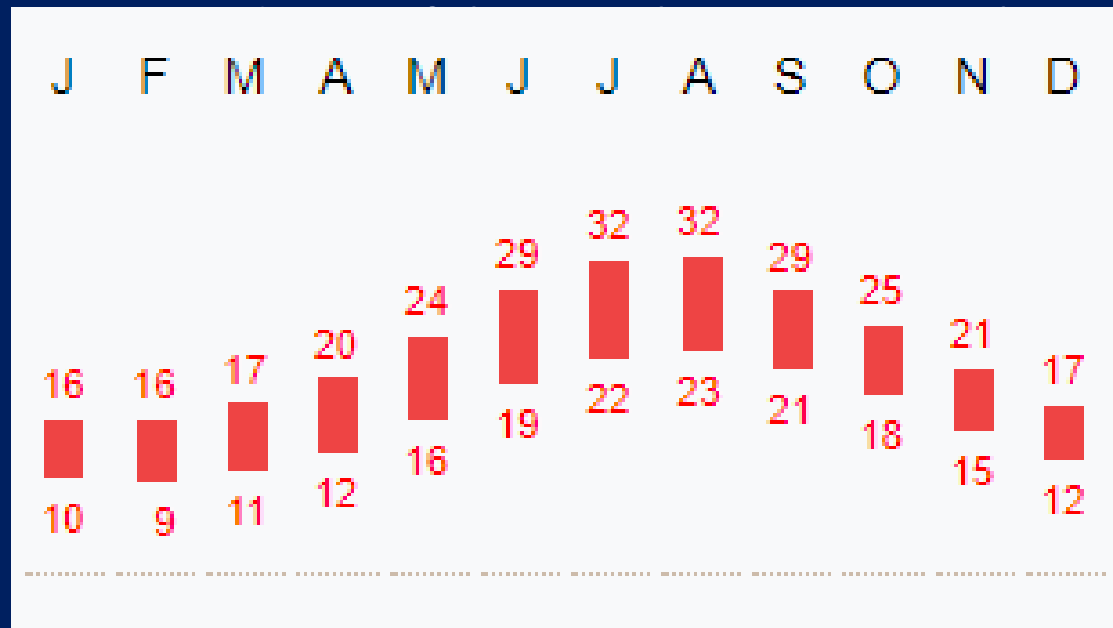
In-Class Group Presentation

- Visual Aids
 - Pictures
 - Graphs
 - Object
 - Map
 - Video Clip



In-Class Group Presentation

- Visual Aids



In-Class Group Presentation

- Colours
 - Use colours it **increases people's motivation to read**
 - Colours can also evoke emotions and can **improve understanding**
eg : highlighting certain
 - Use the **colour wheel** to help you:
<https://www.canva.com/colors/color-wheel>
 - Colour opposite each other are complimentary and create contrast
 - Using complimentary colours **makes your text more readable**
 - Avoid using too many colours in your presentation



In-Class Group Presentation

- Colours
 - When using the **wrong colour the text may become illegible**
 - When using the **right colour you create contrast**
 - <https://www.canva.com/colors/color-wheel>



In-Class Group Presentation

- Use the spell checker but do not rely on it ONLY
 - Spelling mistakes show that you are not giving attention to detail



The Rubric

	5 marks	4 marks	3 marks	2 marks	0 marks
Presentation Etiquette	Student presented the material in a professional manner.	Student presented the material in a mostly professional manner.	Student presented the material in a somewhat professional manner.	Not Applicable	Student did not take presentation seriously.
Citations	All sources (information and graphics) are accurately documented in the desired format.	All sources (information and graphics) are accurately documented, but one is not in the desired format.	All sources (information and graphics) are accurately documented, but two or more are not in the desired format.	Some sources are not accurately documented.	No citations.
Appearance	Presentation shows considerable originality and inventiveness. The content and ideas are presented in a unique and interesting way.	Presentation shows some originality and inventiveness. The content and ideas are presented in an interesting way.	Presentation shows an attempt at originality and inventiveness on most of the slides.	Presentation shows an attempt at originality and inventiveness in only a few of the slides.	Presentation is a rehash of other people's ideas and/or graphics and shows very little attempt at original thought.
Sequencing of Information	Information is organized in a clear, logical way. It is easy to anticipate the type of material that might be on the next slide.	Most information is organized in a clear, logical way. One slide or item of information seems out of place.	Some information is logically sequenced. An occasional slide or item of information seems out of place.	There is a haphazard plan for the organization of information.	No plan for the organization of information.
Use of Graphics	All graphics are attractive (size and colours) and support the theme/content of the presentation.	A few graphics are not attractive but all support the theme/content of the presentation.	All graphics are attractive but a few do not seem to support the theme/content of the presentation.	Several graphics are unattractive AND detract from the content of the presentation.	Student did not use any graphics at all.
Timing	The presentation was delivered within the time given.	Presentation was over or under the time given to deliver the whole presentation.	The presentation was over 5 minutes longer or shorter than the allocated time.	The presentation was far too long.	The presentation was far too short.
Preparedness	Student was very well prepared and had obviously rehearsed.	Student seemed very prepared but might have needed to rehearse some more.	Student was prepared but lacked rehearsing.	Student was not very prepared and lacked rehearsing.	Student was not prepared at all.
Questions	Student answered all questions made by the other students and tutor in a confident and correct way.	Student answered most of the questions made by the other students and tutor in a way that shows good understanding of the subject.	Student answered only some of the questions made by the other students and tutor in a way that shows lack of a good grasp of the subject.	Student failed to answer most of the questions made by the other students and tutor.	Student failed to answer any of the questions made by the other students and tutor.
	46 - 60 marks	31 - 45 marks	16 - 30 marks	01 - 15 marks	0 marks
Content	Presentation includes all material needed to gain a comfortable understanding of the topic.	Presentation includes most material needed to gain a comfortable understanding of the material but is lacking one or two key elements.	Presentation is missing more than two key elements.	Presentation is lacking several key elements and has inaccuracies.	Presentation does not address the assignment question.



What am I expecting

- Show the annual reports chosen
- Snapshot of the annual reports
- Show question
- Have sample slides on intro, history of company, ratios
- Name of Group members
- How is it performing – industry, multi-year ?
- 7 ratios, as chosen
- Formula, from where you obtained the figures
- Results for current and past year
- Commentary on results





Assignment Questions



Assignment Questions

- Assignment Deadline: **15 February 2024**
- Approx. 20 hours researching and writing
- Word count: **1,200 words**
- You are expected to use the Harvard referencing style
- Presentation is VERY important
- Choose any ONE of the questions



Assignment Questions

Question 1:

Ratio analysis is an important tool to measure and interpret the success of any business. It allows top management to understand the health of the business, and map strategies for the future.

Outline the financial ratios listed hereunder, providing details on how to calculate the ratios. List also, for each ratio, their meaning and use; and their importance and limitations:

- Acid-Test Ratio
- Asset Turnover Ratio
- Average Inventories Turnover Period
- Average Receivables Settlement Period
- Current Ratio
- Earnings per Share
- Gearing Ratio
- Gross Profit Margin
- Return on Capital Employed
- Return on Equity



Assignment Questions

Question 2:

The financial requirements of a business entity differ from one another. In the context of today's realities, provide a critical overview of the requirements on the basis of terms and periods of financial requirement faced by business. Provide detailed examples of the various forms of business finance available to a business.

Question 3:

Financial Accounting is driven by Principles and Concepts. Provide a detailed explanation of each of these principles and concepts, giving examples of each; their relevance; and any limitations that the application of such principles and concepts have on businesses in today's world.



Assignment

- Student's understanding of the subject
- Presentation
- Uniqueness (no plagiarism)
- Appropriate citations



Student's understanding of the subject

Diploma in Law (Malta) - Intake October 2021

Assessment Task: Written assignment based on chosen questions

Module: Award in The Maltese Legal System	Tuition Centre: 21 Academy License Number: 2018-017
Level: Award MDI Level 5	Student Name:
Date:	ID Number: (same as submitted in student profile)
Assignment Deadline: 28 January 2022	
Task The purpose of this unit is to develop an understanding of a particular topic you will write about which forms part of the the Maltese Legal system.	
Note This assessment provides students with an opportunity to put into practice the relevant provisions of the law in relation to the topic they choose to write about forming part of the Maltese Legal System.	
Note You should also plan to spend approximately 20 hours researching the assignment question, preparing for and writing the assignment for assessment. The nominal word count for the assignment is 1,700 words. You are expected to select the most appropriate citation method which you feel most comfortable using <http://www.citethisforme.com/>	
Choose 1 question from the following:	
Question 1: Discuss the importance of the Constitution of the Maltese legal system. Refer to the main principles outlined in it.	
Question 2: What are the main sources of the Maltese legal system? Can it constitute for under one of the legal systems?	
Question 3: Who is empowered to legislate? Describe the legislative process? How does the Constitution provide to ensure that law are in line with the Constitution?	
Final Mark - 50%	Total Assignment Weighting - 80%
By submitting I confirm that this assessment is my own work.	
Mark:	Signature: <mark>
Date:	Signature: <quality>

• Assignment Submission Form

- the due date
- the word limit

Note

You should plan to spend approximately 20 hours researching the assignment question, preparing for and writing the assignment for assessment. The nominal word count for the assignment is 1,700 words. You are expected to select the most appropriate citation method which you feel most comfortable using <http://www.citethisforme.com/>

Student's understanding of the subject

Choose 1 question from the following:

Question 1:
Discuss the importance of the Constitution in the Maltese Legal system. Refer to the main principles enshrined in it.

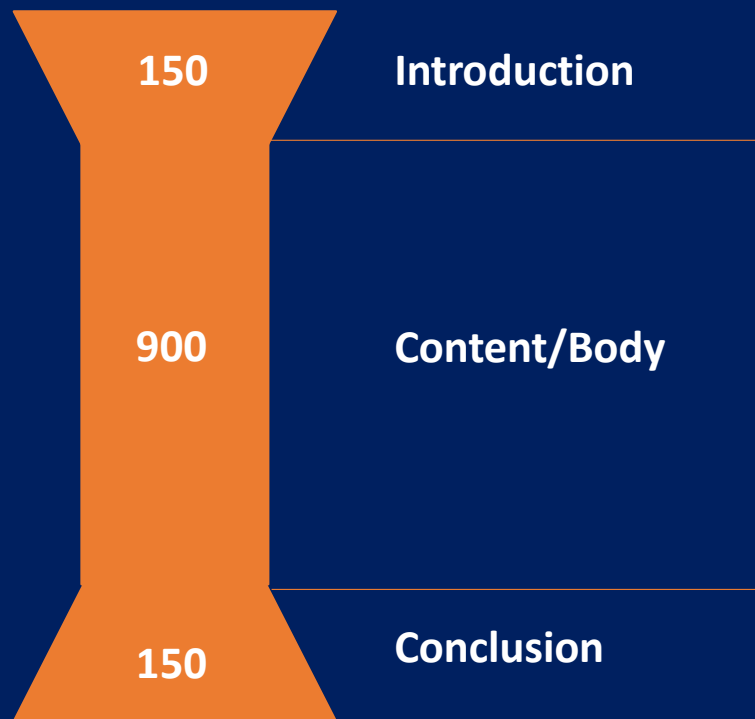
Question 2:
What are the main sources of the Maltese legal system? Can it comfortably fit under one of the legal systems?

Question 3:
Who is empowered to legislate? Describe the legislative process? How does the Constitution provide to ensure that laws are in line with the Constitution?

• Assignment Submission Form

- Choose which question to answer
- Read it well and understand it
- Identify keywords

Assignment Plan



Choose 1 question from the following:

Question 1:

Discuss the importance of the Constitution in the Maltese Legal system. Refer to the main principles enshrined in it.

Question 2:

What are the main sources of the Maltese legal system? Can it comfortably fit under one of the legal systems?

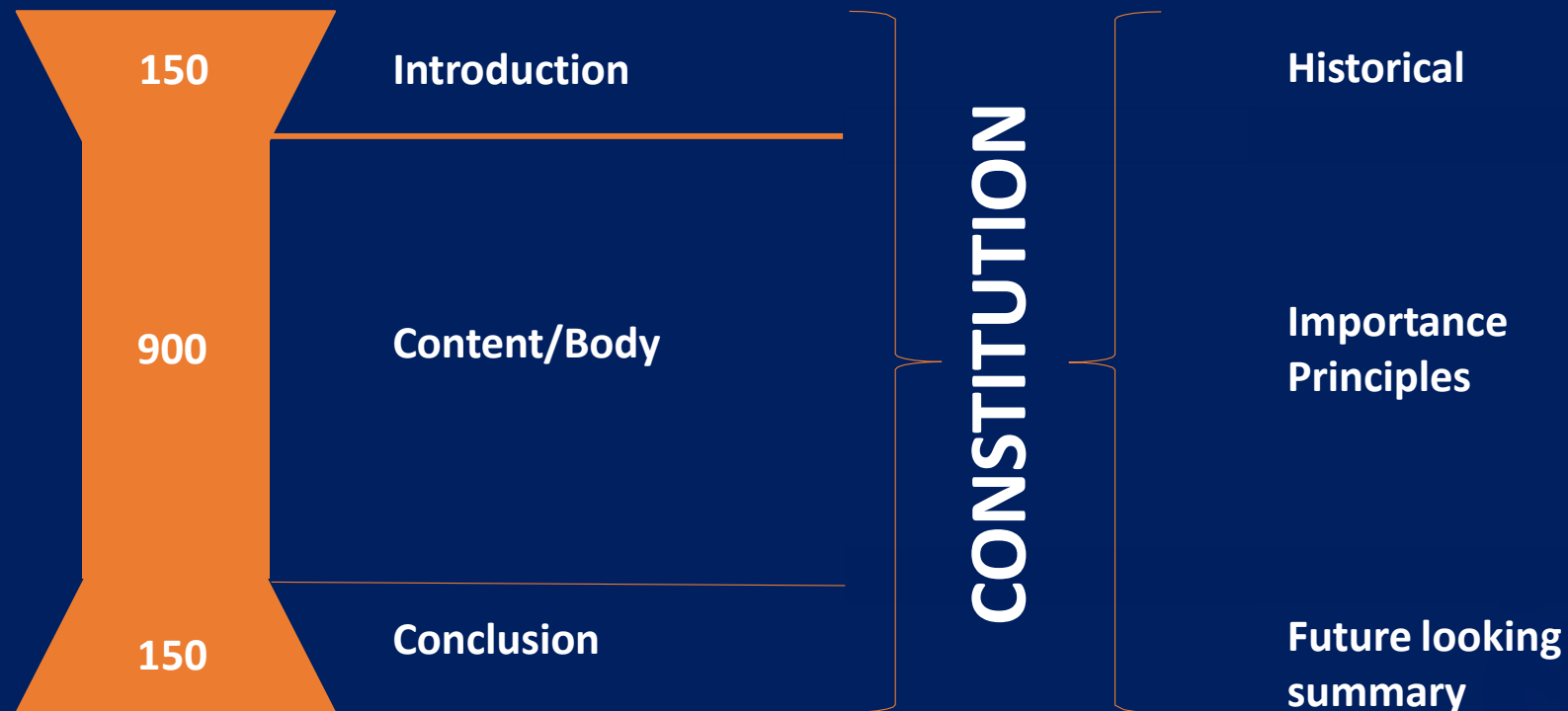
Question 3:

Who is empowered to legislate? Describe the legislative process? How does the Constitution provide to ensure that laws are in line with the Constitution?

Assignment Plan



Assignment Plan



Sources

- Lecture Notes/Slides
- Books - suggested reading lists
- Online



Online

The screenshot shows a Google search interface. The search bar contains the text "importance of the constitution in the maltese legal system". Below the search bar, there are navigation options: "All", "Images", "News", "Videos", "Maps", and "More". The search results are displayed below, showing four entries with their respective URLs, titles, and snippets. Each entry has a green checkmark icon to its right.

Google X 🔊 🔍

[All](#) [Images](#) [News](#) [Videos](#) [Maps](#) [More](#) [Tools](#)

About 1,270,000 results (0.53 seconds)

<https://medium.com> [the-main-components-of-the-mal...](#) [👤](#)

The main components of the Maltese Legal System and the ... ✓

07 Feb 2020 — The main components of the **Maltese Legal System** and the primary provisions of **Maltese Constitutional** and Criminal Law.

<https://www.advisory21.com.mt> [2021/04](#) [Sessi...](#) [PDF](#) [👤](#)

The Maltese Legal System - Advisory 21 ✓

27 Apr 2021 — For example, custom remains **important** in contract law: ... The EU saw the **Maltese legal system** once again become subject to a...

45 pages

<https://www.independent.com.mt> [articles](#) [books](#) [T...](#) [👤](#)

The basics of the Maltese legal system - The Malta Independent ✓

13 Apr 2015 — The second volume, **The Maltese Legal System: Constitution and Human Rights Law**, including a review of **Maltese Constitutional** Law followed by an ...

<https://www.venice.coe.int> [webforms](#) [documents](#) [PDF](#) [👤](#)

malta - Venice Commission ✓

17 Dec 2018 — comparing the **constitutional systems** in Malta with those of the... **Justice** took on the **role** as **Head of the Judiciary** and the House of Lords ...



The Rubric

Assignments Rubric



	5 marks	4 marks	3 marks	2 marks	0 marks
Cover Page	Title, Student's Name, Teacher's Name, Course intake month and year, Submission Date. Neatly finished-no errors.	Evidence of four	Evidence of three	Evidence of two or less	No cover page
Citations	All cited works, both text and visual, are done in the correct format with no errors.	Some cited works, both text and visual, are done in the correct format. Inconsistencies evident.	Few cited works, both text and visual, are done in the correct format.	Not Applicable	No citations
Appearance	Creative and attractive cover, clear organization, readable and neat, title page, table of contents.	Contains title page, table of contents.	Poorly organized and difficult to read, lacking neatness.	No organization, missing significant criteria.	Absent structure and organization.
Support	Uses evidence appropriately and effectively, providing sufficient evidence and explanation to convince.	Begins to offer reasons to support its points, perhaps using varied kinds of evidence. Begins to interpret the evidence and explain connections between evidence and main ideas. Its examples bear some relevance.	Often uses generalizations to support its points. May use examples, but they may be obvious or not relevant. Often depends on unsupported opinion or personal experience, or assumes that evidence speaks for itself and needs no application to the point being discussed. Often has lapses in logic.	Depends on clichés or overgeneralizations for support, or offers little evidence of any kind. May be personal narrative rather than essay, or summary rather than analysis.	Uses irrelevant details or lacks supporting evidence entirely. May be unduly brief.
	61 - 80 marks	41 - 60 marks	21 - 40 marks	01 - 20 marks	0 marks
Content	Excels in responding to the assignment question. Interesting, demonstrates sophistication of thought. Central idea is clearly communicated, worth developing, limited enough to be manageable. Assignment recognizes some complexity of the subject; may acknowledge its contradictions, qualifications, or limits and follow out their logical implications. Understands and critically evaluates its sources, appropriately limits and defines terms.	A solid assignment, responding appropriately to the question. Clearly states a central idea, but may have minor lapses in development. Begins to acknowledge the complexity of central idea and the possibility of other points of view; Shows careful reading of sources, but may not evaluate them critically. Attempts to define terms, not always successfully.	Adequate but weaker and less-effective, possibly responding less well to assignment question. Presents central idea in general terms, often depending on platitudes or clichés. Usually does not acknowledge other views. Shows basic comprehension of sources, perhaps with lapses in understanding. If it defines terms, often depends on dictionary definitions.	Does not have a clear central idea or does not respond appropriately to the assignment question. May be too vague or obvious to be developed effectively. Student may misunderstand sources.	Does not respond to the assignment question, lacks a central idea, and may neglect to use sources where necessary.



The Rubric

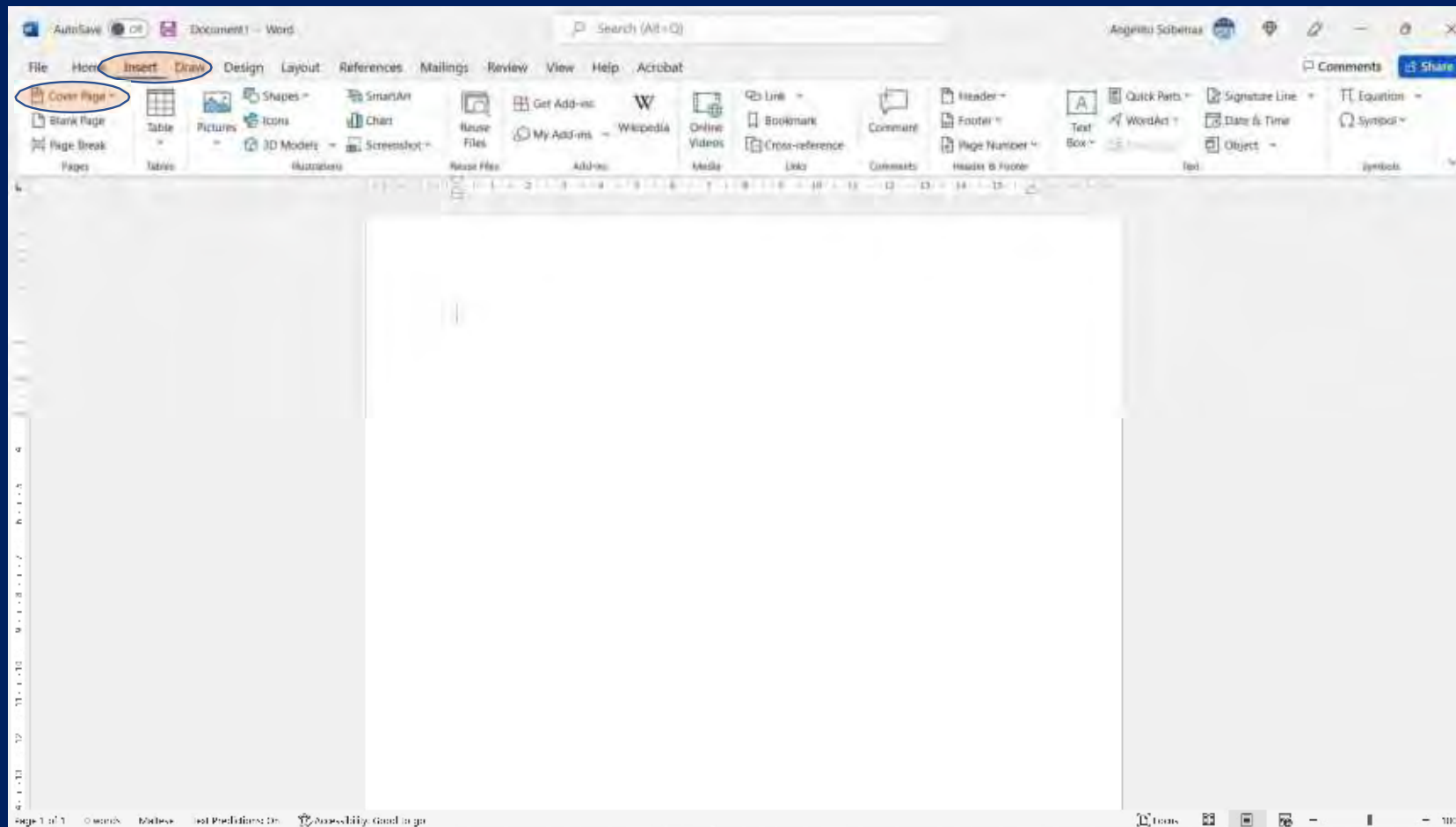
Assignments Rubric



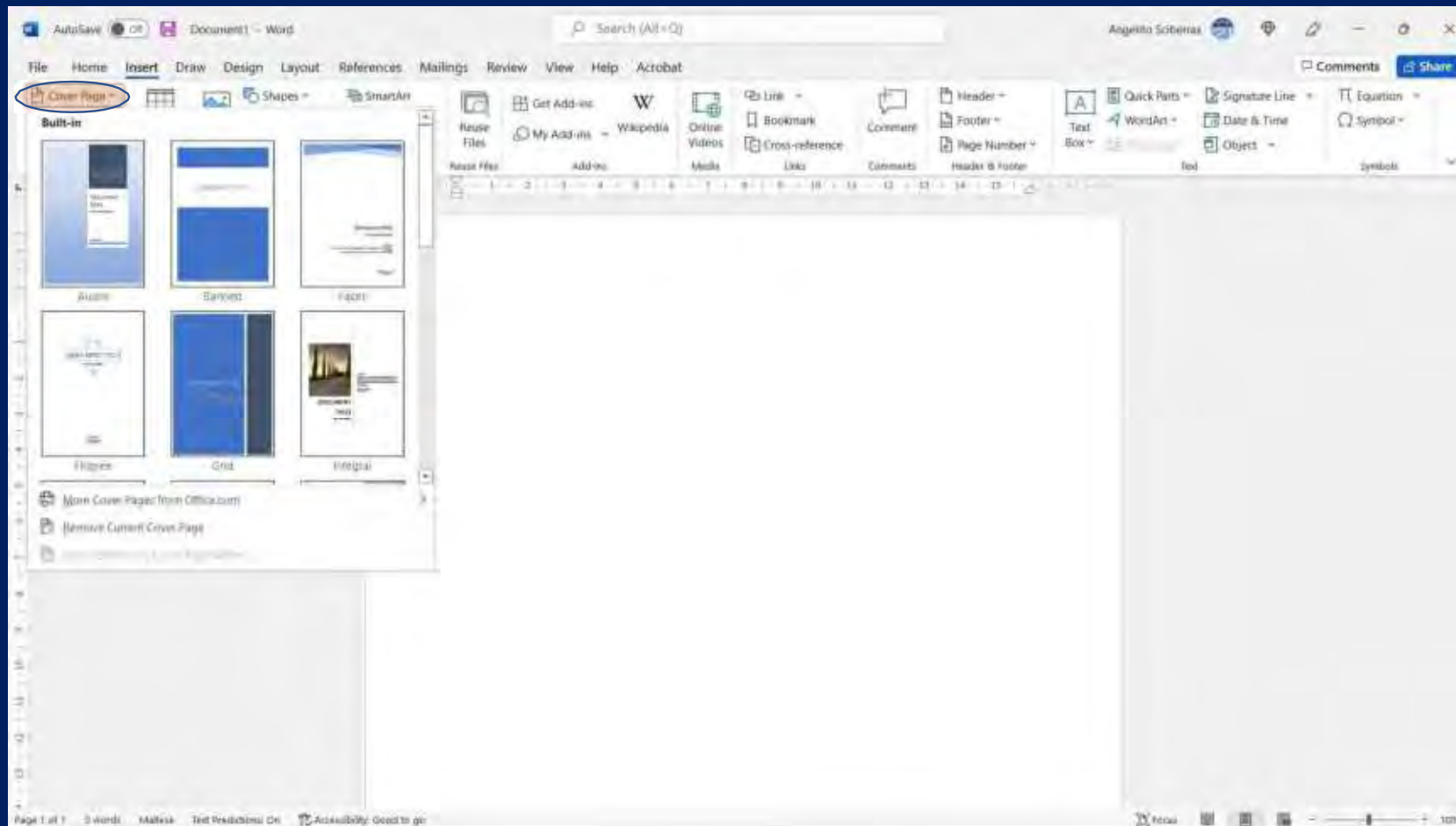
	5 marks	4 marks	3 marks	2 marks	0 marks
Cover Page	Title, Student's Name, Teacher's Name, Course intake month and year, Submission Date, Neatly finished-no errors	Evidence of four	Evidence of three	Evidence of two or less	No cover page
Citations	All cited works, both text and visual, are done in the correct format with no errors	Some cited works, both text and visual, are done in the correct format. Inconsistencies evident	Few cited works, both text and visual, are done in the correct format.	Not Applicable	No citations
Appearance	Creative and attractive cover, clear organization, readable and neat, title page, table of contents	Contains title page, table of contents	Poorly organized and difficult to read, lacking neatness.	No organization, missing significant criteria.	Absent structure and organization



Cover Page



Cover Page



Cover Page

	5 marks
Cover Page	Title, Student's Name, Teacher's Name, Course Intake month and year, Submission Date, Neatly finished-no errors

[Document title]

[Document subtitle]

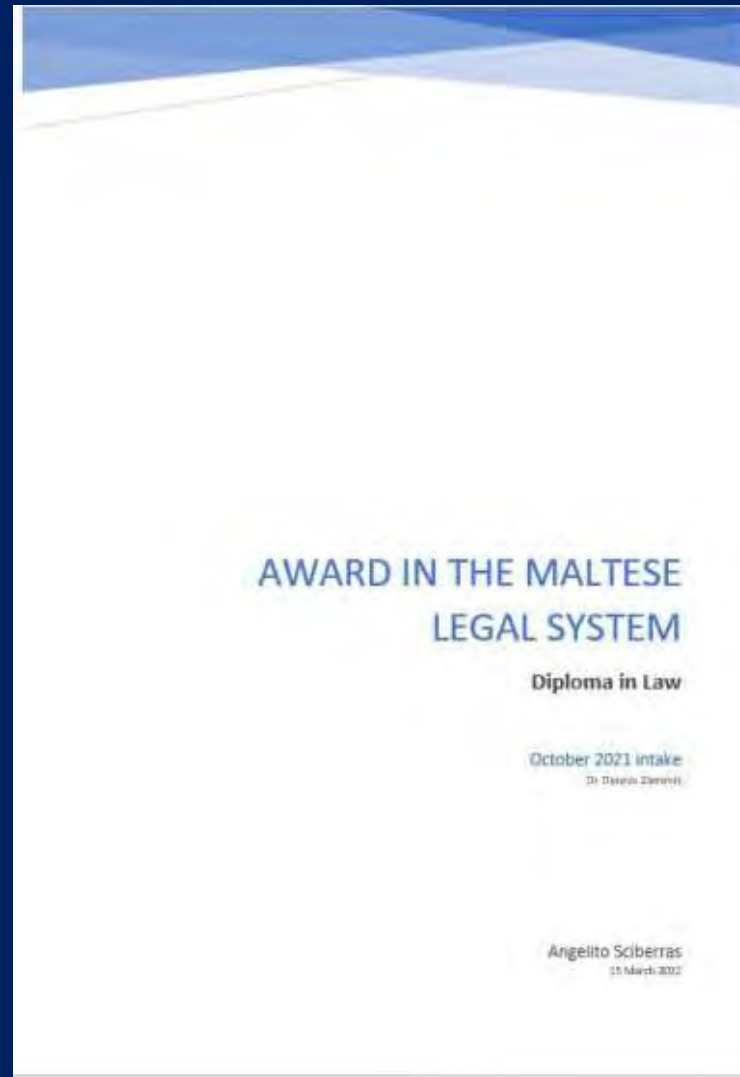
Abstract
Write your reader in with an engaging abstract. It is typically a short summary of the document.
When you're ready to add your content, just click here and start typing!

Advisory 21
(final address)



Cover Page

	5 marks
Cover Page	Title, Student's Name, Teacher's Name, Course Intake month and year, Submission Date, Neatly finished-no errors



Referencing System

Citations

All cited works, both text and visual, are done in the correct format with no errors.



Referencing System

In text

Page 1	Page 2
<p>The Essay</p> <p>After determining an essay's topic, a student will need to analyse the topic, find information, evaluate these resources, and present the information in essay format (TAFE SA 2014a). Requirements for essays can vary, but will generally include an introduction, body, conclusion and reference list (TAFE SA 2013). The completed essay will then provide evidence to the assessor of the student's research and learning (Hill Campbell 2014).</p> <p>The first step is to carefully analyse the topic in order to fully understand what is and is not required from the essay (Spurr n.d.). Usually a topic will be designed to give students an opportunity to develop an argument and the essay should generally agree or disagree with the central idea (Dawson 2013). Carrodus (2002) stresses to ensure relevance: 'answer the question, the whole question and nothing but the question'.</p> <p>Next, resources on the topic should be gathered from a variety of sources such as websites, books, newspapers or journal articles (Summers & Smith 2010). Lecture notes should only be referred to with the agreement of the lecturer (TAFE SA 2014b) and need only be given an in-text citation as these are considered a personal communication (TAFE SA 2013). A quick evaluation of each resource should be undertaken to establish that the information is up-to-date, relevant, and from a reputable author (Dawson 2013). The student should question whether the author's points are backed up by adequate and convincing evidence and why the author might have published this work (Hill Campbell 2014).</p> <p>After reading these resources, the student can form an educated opinion and begin to plan the flow of their essay (Jackson et al. 2000). The essay should be typed and include any specified formatting such as page numbering, appropriate headers, footers and a cover sheet (Spurr n.d.). Points made should be supported with quotes, statistics or records from the time (Carrodus 2002), which according to copyright law must all be referenced (Commonwealth Amendment (Moral Rights) Act 2000; Dawson 2013, p. 106). At TAFE SA the Harvard system of referencing is required (TAFE SA 2014b).</p> <p>The introduction should comprise about 10% of the essay's word count (TAFE SA 2014a) to establish an overall point and provide any background information.</p> <p>The body of the essay will contain several paragraphs, each paragraph dedicated to an argument or fact, and each subsequent paragraph building support for the point of view being suggested (Levin 2004). This section should take about 80% of the word count (TAFE SA 2013).</p> <p>The essay should end with a clear and concise statement (Dawson 2013) that sums up the argument and matches the point of view expressed in the introduction (TAFE SA 2014a).</p> <p>On completion of the draft essay, a student should proofread their work for spelling and grammar (Jackson et al. 2000) and re-read the topic to double check that the essay has not strayed from the points being assessed (Carrodus 2002).</p> <p>An appropriately formatted and well-researched essay serves not only as a tool for learning assessment, but develops ability to build an educated argument in a strong form of communication-essential in many careers (Summers & Smith 2010).</p>	<p>References</p> <p>Carrodus, G 2002. 'How to write a great history essay'. <i>The Age</i>, 21 March 2002. viewed 16 July 2014. <http://www.theage.com.au/articles/2002/03/21/1016660121034.html></p> <p><i>Copyright Amendment (Moral Rights) Act 2000</i></p> <p>Dawson, C 2013. <i>Basic study skills: a practical guide to learning for all students</i>. Constable & Robinson, ProQuest Ebook Central.</p> <p>Hill Campbell, K 2014. 'Beyond the five-paragraph essay'. <i>Educational Leadership</i>, April 2014, vol. 71, issue 7, pp. 60-65. MasterFILE Premier.</p> <p>Jackson, J, Mohan, T, Saunders, H & Archer, R 2000. <i>Writing skills</i>. Dorling Kindersley, London.</p> <p>Levin, P 2004. <i>Write great essays: reading and essay writing for undergraduates and taught postgraduates</i>. Open University Press, Maidenhead, UK.</p> <p>Spurr, B n.d. <i>Successful essay writing for senior high school, college and university</i>. New Frontier Publishing, Epping, NSW.</p> <p>Summers, J & Smith, B 2010. <i>Essay writing in Communication skills handbook</i>, 3rd edn. John Wiley & Sons Australia, Milton, Qld.</p> <p>TAFE SA 2013. 'Structure of an essay'. <i>My information skills: how do I present it?</i>. viewed 16 July 2014. <http://afesae.libguides.com/content.php?pid=421635&sid=3448781></p> <p>TAFE SA 2014a. 'Doing assignments: essay writing'. <i>TAFE SA library guides</i>. viewed 15 July 2014. <http://afesae.libguides.com/content.php?pid=272677&sid=2256230></p> <p>TAFE SA 2014b. <i>Essay writing: study guide</i>. TAFE SA, Adelaide.</p>

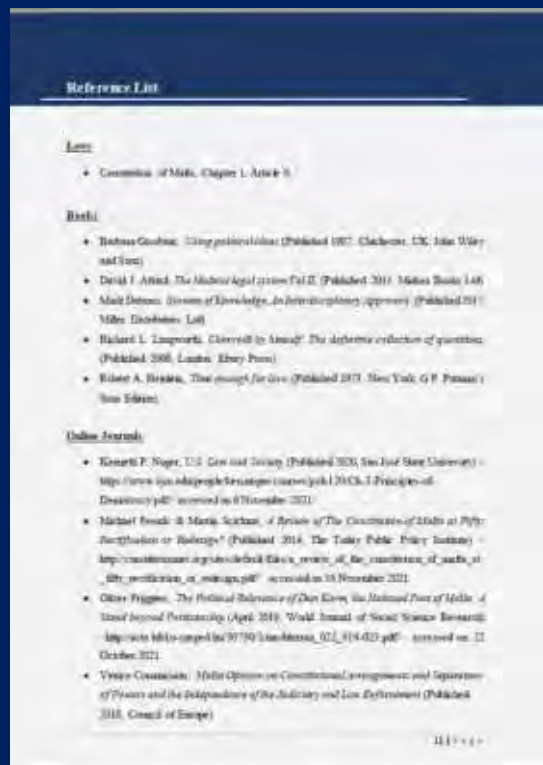
In-text citations

**End-text citations
in a reference list**



Referencing System

Reference & Bibliography



&

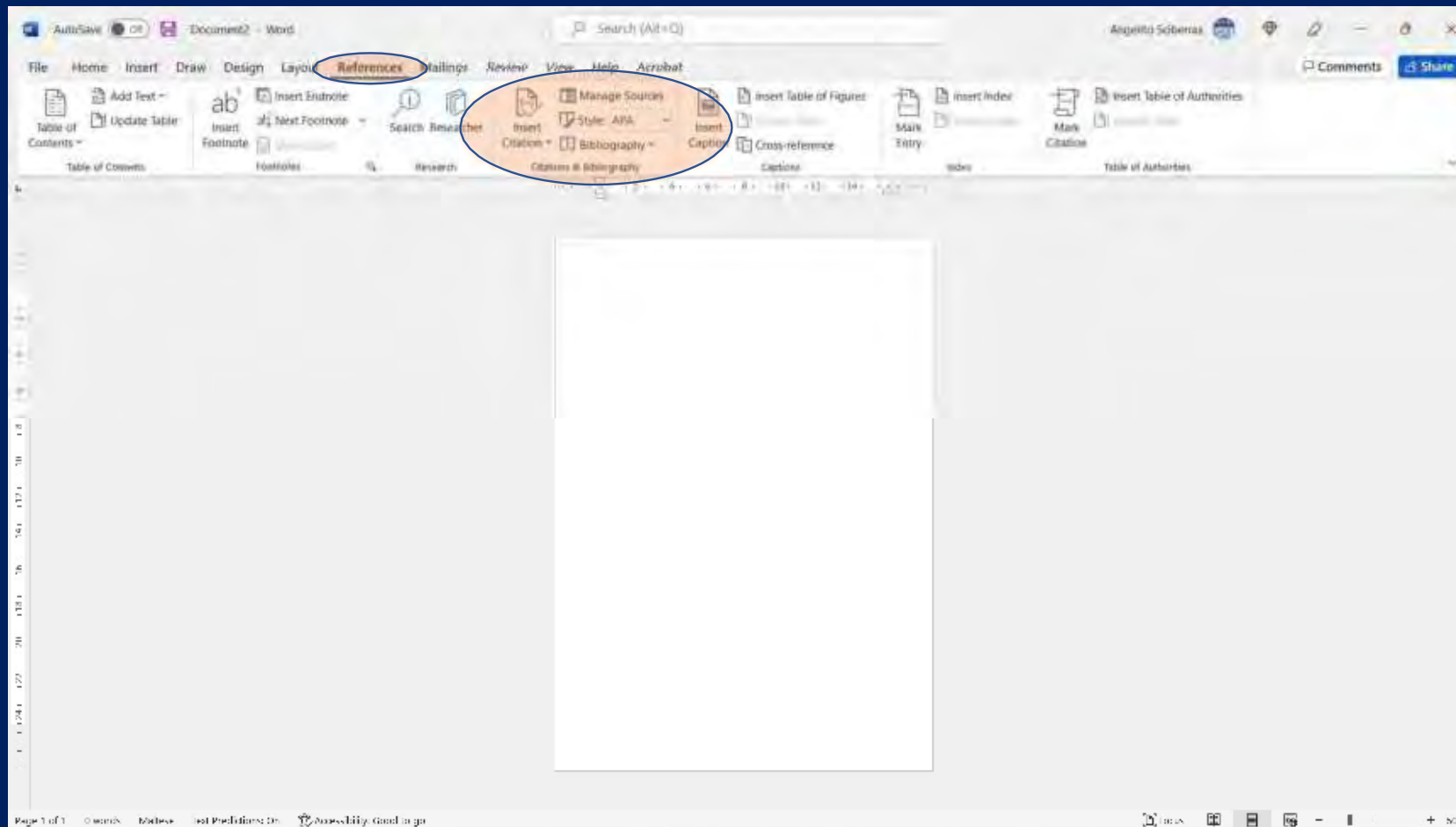
VS



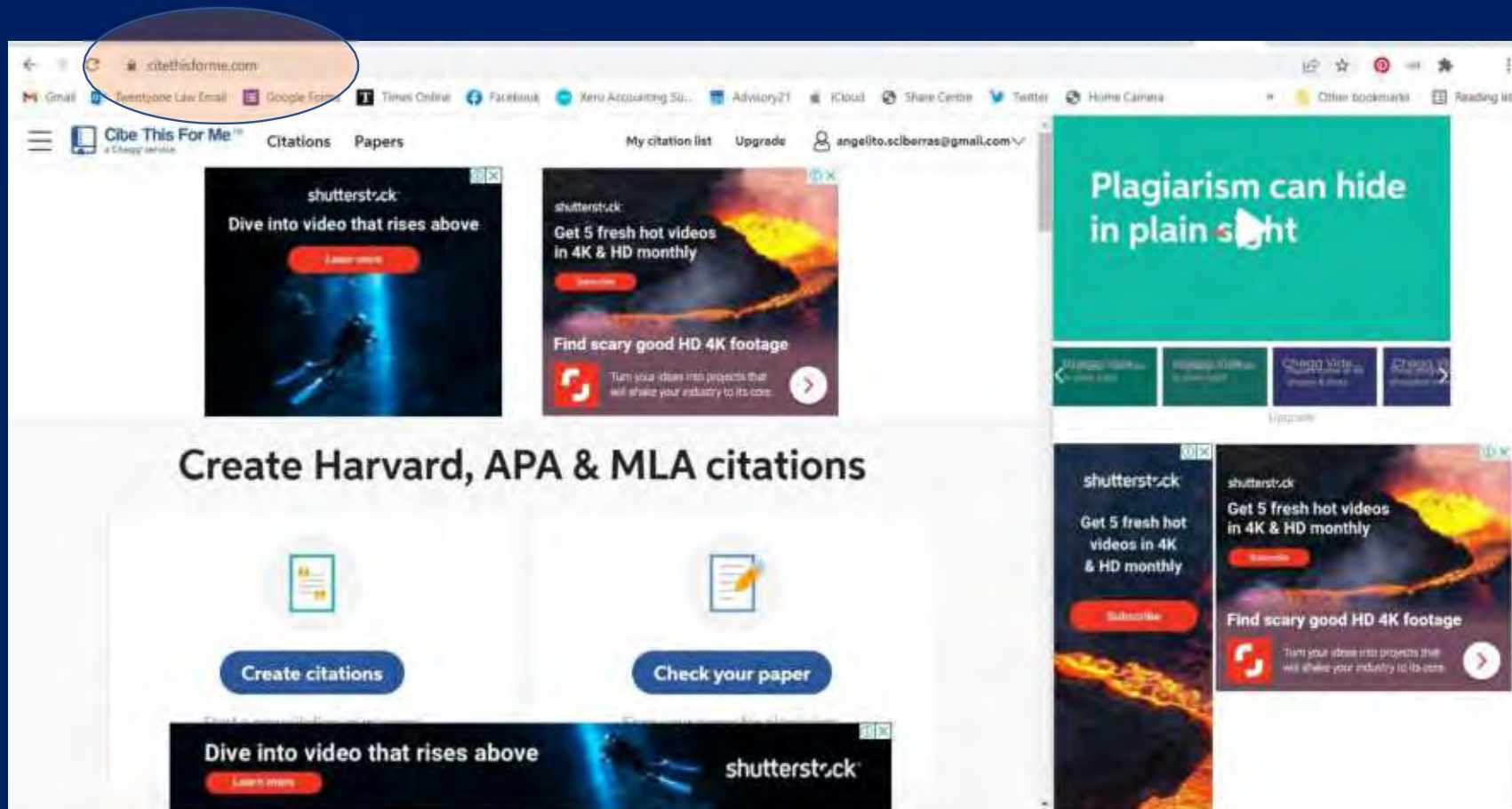
Harvard Referencing



Referencing System



Referencing System



Referencing System

citethisforme.com



Cover Page

Appearance

Creative and attractive cover, clear organization, readable and neat, title page, table of contents.

Font

Times New Roman

Font Size

Text - 12pt

Titles - 14pt

Line Spacing

1.5

Justified

Page Numbering



Table of Contents

Appearance

Creative and attractive cover, clear organization, readable and neat, title page, table of contents.

The Mahasa Legal System

Contents

Assignment Question.....	1
Contents.....	1
Power to Legislate.....	2
Constitutionally abiding laws.....	2
Legislative Process.....	4
First Reading.....	6
Second Reading.....	6
Committee Stage.....	6
Report Stage.....	6
Third Reading.....	6

Page 11

Report

Headings and subheadings: Reports are typically broken up into sections, divided by headings and subheadings, to facilitate browsing and scanning.

Use numbering

1. Heading
 - 1.1 Sub Heading
 - 1.1.1 Sub Sub Heading





Recap of Lectures 01 - 07



Accounting Environment & Users

Accounting Environment

- Accounting has been defined as the language of business
- Accounting enables organizations to determine how much profits or losses have been made in a particular period (financial year)
- Accounting provides statistical benchmarks against which an organization's overall performance is measured
- Accounting provides a universal explanation of the financial strength of an organization



Users of Accounting Information

- Owners / Shareholders / Partners
 - (Current Profitability, Capital Growth, Dividend Returns)
- Investors
 - (Future Profitability, Risks of Investment)
- Government
 - (Profitability, Taxation payments)



Users of Accounting Information

- Creditors/Suppliers
 - (Liquidity, Ability to repay debts, Time taken to pay debts)
- Employees
 - (Profitability, Organisation Growth, Organisational Stability, Security of Employment)
- Management
 - (Profitability, Return on Capital, Capital Growth, Owners' Satisfaction)
- General Public
 - (Profitability, Organisational Stability and Growth, Market Share)



Accounting Principles



Accounting Principles

- All users will see the same financial statements
- Principles – to provide consistent usable financial statements
 - Relevance
 - Reliability
 - Comparability
 - Understandability



Business Set- Ups



Business Organisations

- Self-Employed – Sole Trader
- Self-Employed – With employees
- Partnership
- Limited Liability Company
- Public Company
- Government & Parastatal
- Group Structure
- VOs and Associations
- Trusts



Accounting Concepts



Accounting Concepts

- Concepts represent the rules that are applied in recording transactions and preparing the Financial Statements
 - **Business Entity Concept**
 - **Money Measurement Concept**
 - **Historic Cost Concept**
 - **Realisation Concept**
 - **Dual Aspect Concept**
 - **Consistency Concept**
 - **Materiality Concept**
 - **Accruals Concept**
 - **Prudence Concept**
 - **Going Concern Concept**
 - **Substance over Form**




Double Entry



Double Entry

[ˈdɑːbəl ˈen-trɛ]

A fundamental concept underlying present-day bookkeeping and accounting which states that every financial transaction has equal and opposite effects in at least two different accounts.

 Investopedia



Examples of Double Entry Transactions

Purchase of machine by cash

- **Debit** Machine Account Increase in Asset
- **Credit** Cash Account Decrease in Asset

Payment of utility bills

- **Debit** Utility Expense Increase in Expense
- **Credit** Cash Account Decrease in Asset



The Accounting Equation



The Accounting Equation is the following:

- **ASSETS = CAPITAL + LIABILITIES**

&

- **Net Current Assets = Current Assets – Current Liabilities**

- Net Current assets or Working Capital is the amount that indicates how much capital is being generated or used up by day-to-day activities. If net current assets are negative, the company may have difficulty financing its day-to-day operations.



Trial Balance

Trial balance for George's Catering on the 31 st of May 2010			
	FOLIO	DEBIT \$	CREDIT \$
Baking equipment	100	12,000	
Debtors	101	0	
Bank	102	14,800	
Capital	300		15,000
Drawings	301	500	
Loan	200		1,000
Creditors	201		0
Services rendered	400		15,500
Salaries	500	4,000	
Telephone expense	501	200	
		<u>31,500</u>	<u>31,500</u>

Statutory financial statements

- Income Statement
- Statement of Financial Position
- Cashflow Statement
- Audited Financial Statements
- Tax Returns
- VAT Returns



Profitability



Financial Items:

Sales, Purchases, Expenses Paid, Incomes Received.



Non-Financial
Items:

Depreciation,
Revaluations, Accruals,
Prepayments, Provisions.



Both have a direct affect on the
business profitability. Why?

Cash Flow Statement Format

Cash flows from **OPERATING** activities

PLUS or **MINUS**

Cash flows from **INVESTING** activities

PLUS or **MINUS**

Cash flows from **FINANCING** activities

EQUALS

NET increase (or decrease) in **cash equivalents** over the period





Ratio Analysis



Profitability Ratios

RETURN ON CAPITAL EMPLOYED

$$\frac{\text{Net Profit for the year}}{\text{Equity + Liabilities}} \times 100$$

RETURN ON EQUITY

$$\frac{\text{Net Profit for the year}}{\text{Capital}} \times 100$$

$$\frac{\text{Gross Profit}}{\text{Sales Revenue}} \times 100$$

$$\frac{\text{Gross Profit}}{\text{Cost of Sales}} \times 100$$

Efficiency Ratios

Sales	Sales
Net Assets	Fixed Assets
$\frac{(\text{Opening Stock} + \text{Closing Stock}) / 2}{(\text{Cost of Sales}) / 365}$	
Average trade receivables	X 365
Credit Sales revenue	
Average trade payables	X 365
Cost of Sales	



Liquidity Ratios

- Liquidity refers to the availability of cash in the near future after taking account of immediate financial commitments
- Key ratios:

CURRENT RATIO		
CURRENT ASSETS		
CURRENT LIABILITIES		

ACID TEST		
CURRENT ASSETS - INVENTORIES		
CURRENT LIABILITIES		



Gearing Ratios

Non-Current Liabilities

Share Capital + Reserves + Non-Current Liabilities

X 100

Operating Profit before Interest

Interest Payable



Investment Ratios

Total Dividend Paid

Number of shares in issue

Profit after tax

Number of shares in issue

Market value per share

Earnings per Share





**Undergraduate Diploma in
Business Administration**