

MODULE 03: FINANCIAL ANALYSIS

Lecture Title 08: Revision Session No. 1



Lecturer: Antoine P. Portelli

Date: 5 February 2025

**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

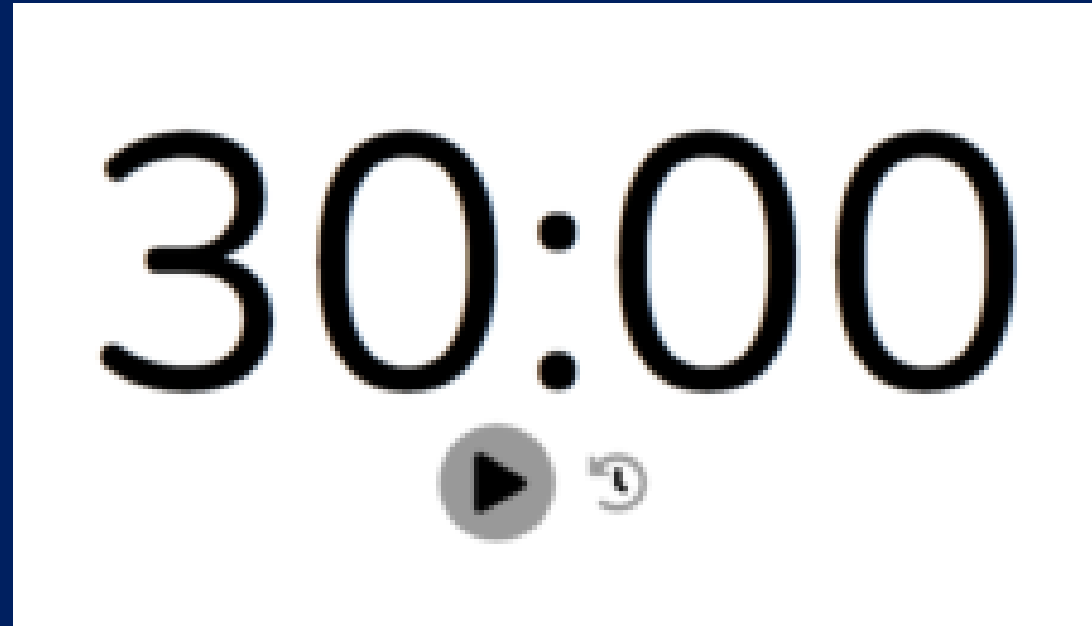
Financial
Forecasts

Group
Presentations
& Assignment

Tutorials



Self-Assessment



Group Presentations

Each Group will be assigned, by lot, a different Annual Report. The chosen report must be used for the group presentation on Wednesday, 12 February 2025's session.

- Analyse and comment on the financial performance of the company using **ratio analysis**.
- Use between **5 and 7 ratios**.
- Give the **workings** at arriving at each of the chosen ratios, indicating from where the financial information was obtained.
- **Compare the ratios** of the company for this financial year and last year's ratios.
- **Research information** about the company that you consider relevant to potential new investors.



Groups

1	2	3	4	5	6	7
Rajneet	Ahsan Ul Haq Rana	Hajra Haneef	Abisek Shiwakoti	Bijay Uchai	Aashika Khatiwoda	Bebina Dahal
Rohan Singh Jasrotia	Gagandeep Singh	Mahendra Dawadi	Dipesh Kunwar	Nischal Rimal	Ajaya Ghimire	Juliet Nkiru Okeke
Saloni Gupta	Moiz Jalil	Manpreet Kaur	Prince Saud	Nisha Shrestha	Akshya Singh	Kanishak
Vishav Partap Singh	Shubam Chib	Muhammad Yousaf	Simran	Saroj Khadka	Mayank Dhiman	Malik Habib Sultan
	Tahaabdul Malik Mohammed	Rana Shehroz Sabir			Nirmala Gajurel	Rahul Sharma
		Shrawan Das			Sajan Rijal	Sagar Verma
		Usman Ali				Shubham Kumar



Presentations

The 7 Annual Reports are:

COMPANY REF	COMPANY NAME
A	AJEL LIMITED
B	KN AGRI RESOURCES LTD
C	MAJESTIC AUTO LTD
D	MEWAR HITECH ENGINEERING LTD
E	OSWAL OVERSEAS LTD
F	SIEMENS LTD
G	BRIGHTCOM GROUP LTD



Presentation

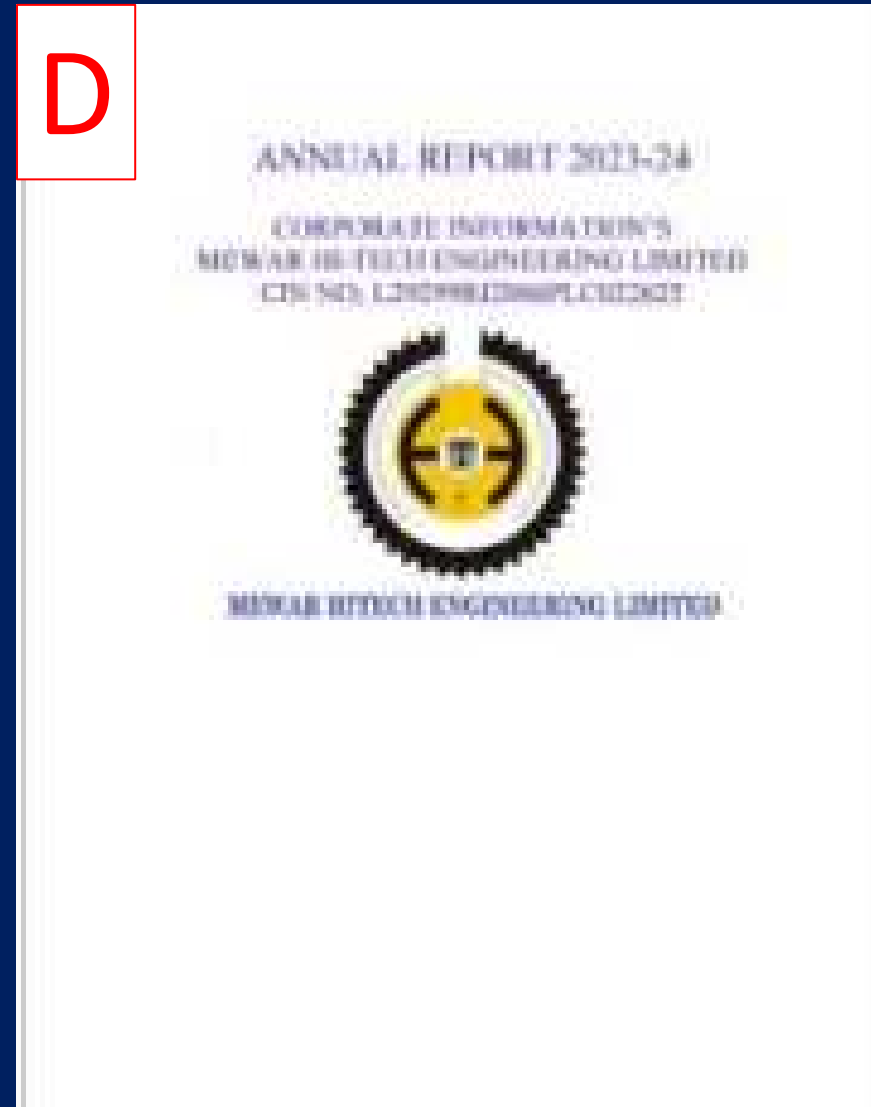
A



B



Presentation



Presentation

E

OSWAL OVERSEAS LIMITED

41ST ANNUAL REPORT
2023-24

F

Transfoorm

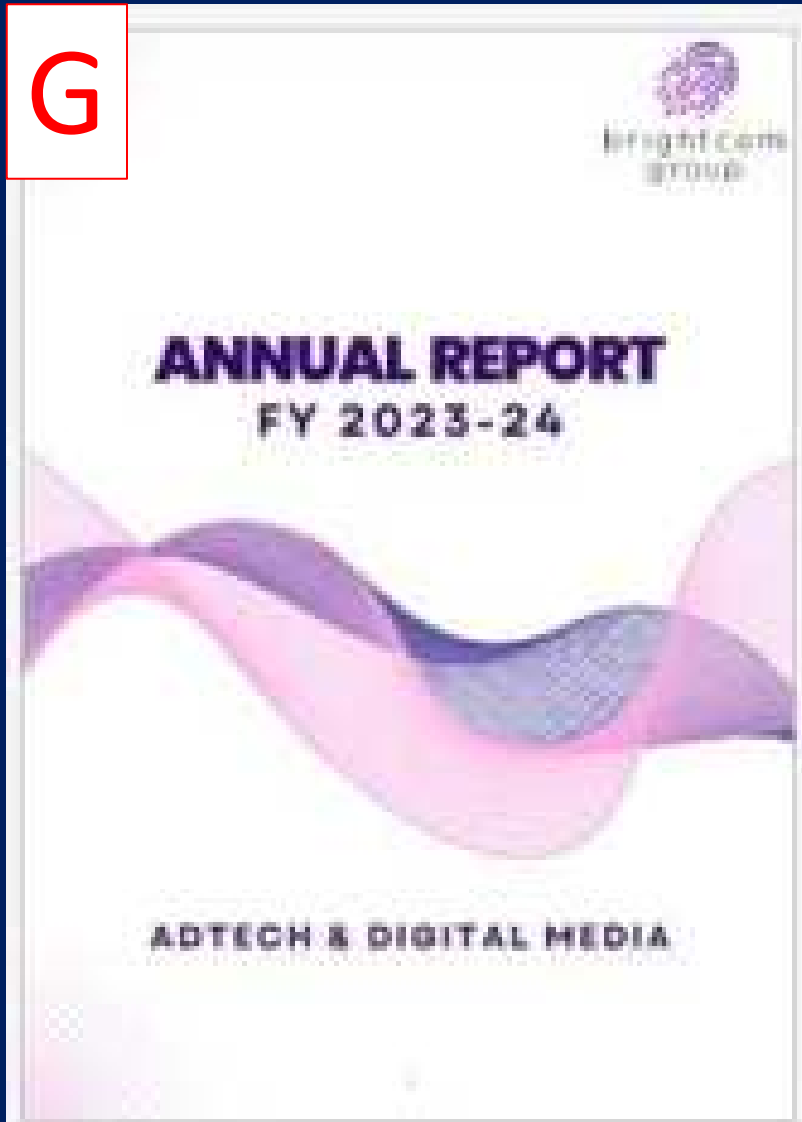
Annual Report
2024

SIEMENS
DIGITAL INDUSTRY



Presentation

G



Group Presentations

COMPANY REF	COMPANY NAME	GROUP NO.
A	AJEL LIMITED	7
B	KN AGRI RESOURCES LTD	1
C	MAJESTIC AUTO LTD	4
D	MEWAR HITECH ENGINEERING LTD	2
E	OSWAL OVERSEAS LTD	5
F	SIEMENS LTD	6
G	BRIGHTCOM GROUP LTD	3



In-Class Group Presentation

- 20 minute presentation
 - using power point
 - built together (mostly during supervised sessions)
 - delivered during last session – Wednesday 12 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



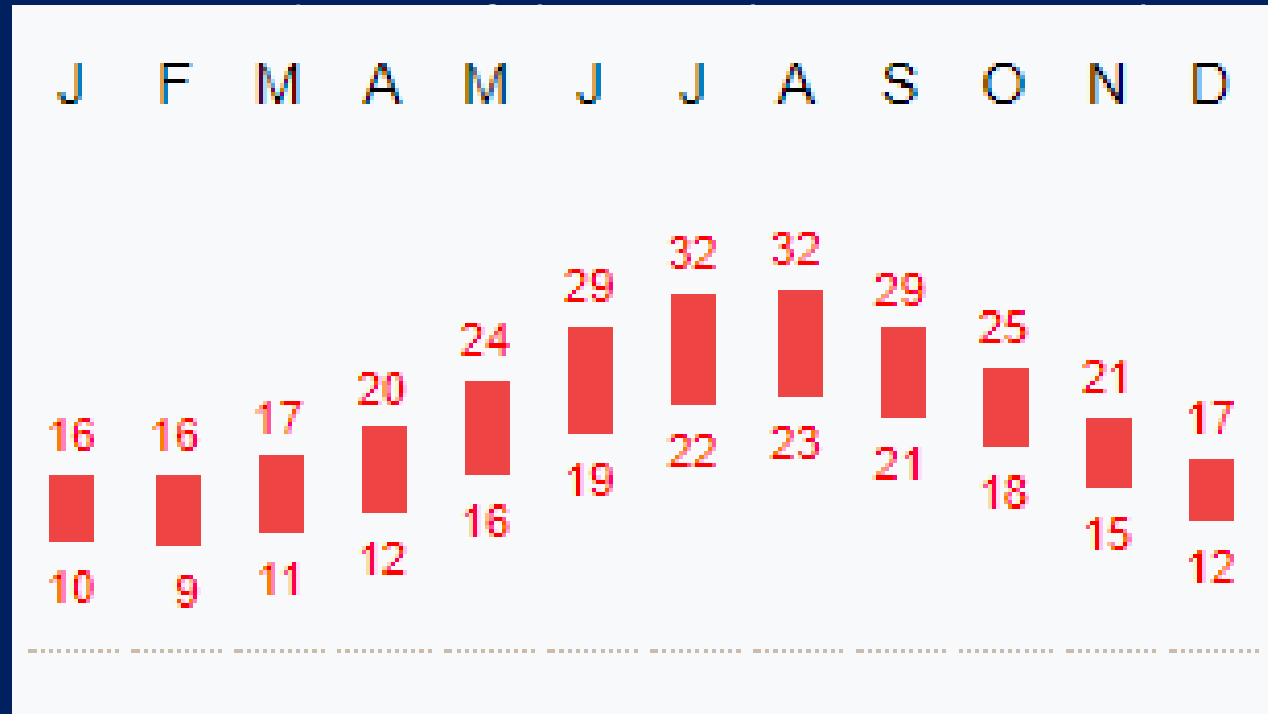
In-Class Group Presentation

- 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

	1 mark	2 marks	3 marks	4 marks	5 marks
Introduction	Student presented the subject in a superficial manner.	Student presented the subject in a fairly superficial manner.	Student presented the subject in a somewhat professional manner.	Not applicable	Student presented the subject in a professional manner.
Content	Information presented and gathered are somewhat incomplete in the stated form.	Information presented and gathered are somewhat incomplete, but not in the stated form.	Information presented and gathered are somewhat incomplete, but not in the stated form.	Information presented and gathered are somewhat incomplete.	Information presented and gathered are complete.
Organization	Information about a particular program is presented in a disorganized and incomplete way.	Information about a particular program is presented in a disorganized way.	Information about a particular program is presented in a disorganized way.	Information about a particular program is presented in a disorganized way.	Information about a particular program is presented in a complete and organized way.
Analysis	Information is organized in a way that only if a link is established the type of information might be the best.	Information is organized in a way that only if a link is established the type of information might be the best.	Information is organized in a way that only if a link is established the type of information might be the best.	Information is organized in a way that only if a link is established the type of information might be the best.	Information is organized in a way that only if a link is established the type of information might be the best.
Use of Diagrams	All graphics are attractive and clearly and clearly the environment of the presentation.	All graphics are attractive and clearly and clearly the environment of the presentation.	All graphics are attractive and clearly and clearly the environment of the presentation.	All graphics are attractive and clearly and clearly the environment of the presentation.	All graphics are attractive and clearly and clearly the environment of the presentation.
Timing	The presentation was delivered within the time given.	The presentation was delivered within the time given.	The presentation was delivered within the time given.	The presentation was delivered within the time given.	The presentation was delivered within the time given.
Appearance	Student was very well prepared and clearly presented.	Student was very well prepared and clearly presented.	Student was very well prepared and clearly presented.	Student was very well prepared and clearly presented.	Student was very well prepared and clearly presented.
Conclusion	Student presented all content made by the other students and said in a coherent and organized way.	Student presented all content made by the other students and said in a coherent and organized way.	Student presented all content made by the other students and said in a coherent and organized way.	Student presented all content made by the other students and said in a coherent and organized way.	Student presented all content made by the other students and said in a coherent and organized way.
	40 - 49 marks	30 - 39 marks	20 - 29 marks	10 - 19 marks	0 marks
Overall	Presentation received all required content to give a professional impression of the team.	Presentation received all required content to give a professional impression of the team.	Presentation received all required content to give a professional impression of the team.	Presentation received all required content to give a professional impression of the team.	Presentation received all required content to give a professional impression of the team.



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



Sample Slides from past presentations



GROSS PROFIT MARGIN (GP) 31,MARCH 2022 AND 2023

31, March 2023

$$\begin{aligned}\text{Gross profit margin} &= \frac{\text{Gross profit}}{\text{Sales revenue}} \times 100 \\ &= \frac{6,152}{51,585} \times 100 \\ &= 11.92 \%\end{aligned}$$

31, March 2022

$$\begin{aligned}\text{Gross profit margin} &= \frac{\text{Gross profit}}{\text{sales revenue}} \times 100 \\ &= \frac{6,485}{43,940} \times 100 \\ &= 14.75 \%\end{aligned}$$

The following statement shows that Gross profit margin is decrease around 3% on 31, march 2023 from the year of 31, March 2022 which is obtain from the page 179 of consolidate profit and loss annual report. The numerical indicates that the company is not able to turns its sales into a profit as much as on the annual year of 31, March 2022.

CURRENT RATIO

CURRENT RATIO

CURRENT ASSETS

CURRENT LIABILITIES

31, March, 2023

3.33

- Current Assets = ₹23,537.38 lakhs
- Current Liabilities = ₹7,074.60 lakhs
- Calculation: $23537.38 / 7074.60 = 3.33$

31, March, 2022

3.28

- Current Assets: ₹20,820.27 lakhs
- Current Liabilities: ₹6,344.56 lakhs
- Calculation $20,820.27 / 6,344.56 = 3.28$

GEARING RATIOS

- $\frac{\text{NON CURRENT LIABILITY}}{\text{SHARE CAPITAL} + \text{RESERVES} + \text{NON CURRENT LIABILITY}} * 100$

- YEAR 2020

$$\frac{5061.40}{596.52 + 268.66 + 5061.40} * 100 = 85.40 \%$$
$$\frac{5061.40}{5926.58} * 100 = 85.40 \%$$

EPS

March 31,2022

$$\begin{aligned}
 \text{EPS} &= \text{Net income} / \text{no. of share outstanding} \\
 &= (2099.69) / 492,748,742 \\
 &= 2099690000 / 492748742 \\
 &= 4.26 : 1
 \end{aligned}$$

March 31,2021

$$\begin{aligned}
 \text{EPS} &= \text{Net income} / \text{no. of share outstanding} \\
 &= (2743.53) / 492,748,742 \\
 &= 2743530000 / 492,748,742 \\
 &= 5.56 : 1
 \end{aligned}$$

Statement of Consolidated Profit and Loss
For the quarter ended March 31, 2022

Item	2022	2021	2020
Revenue	1,000,000	1,000,000	1,000,000
Cost of sales	(800,000)	(800,000)	(800,000)
Gross profit	200,000	200,000	200,000
Operating expenses	(1,000,000)	(1,000,000)	(1,000,000)
Operating loss	(800,000)	(800,000)	(800,000)
Other income	1,000,000	1,000,000	1,000,000
Net income	200,000	200,000	200,000



All values in ₹ crores

2A. Current Ratio

Current Ratio	Current Assets		Current Liabilities	
2021 March 31 st →	15,794.35		21,871.54	= 0.72
2020 March 31 st →	16,013.99		21,599.21	= 0.74

Refer to page no: 242

PROFITABILITY RATIO

Gross profit Margin= (Revenue from operations - Consumptions of provisions)/ Revenue from operations

$$(3,370.68-270.19) / 3,370.68 = 91.99\%$$

Reference: Pg No. 149 (Profit and Loss Statement)

Net Profit Margin = Profit after tax/Revenue from operations

$$=646.17 / 3,370.68 = 19.18\%$$

Reference: Pg No. 149 (Profit and Loss Statement)

Quick Ratio= For the current year:

The following details are current and total Company has

Assets–Inventories

Liabilities

Inventories = 2,229.64

$$\frac{\text{Quick Ratio=} \\ 5,313.72 - 2,229.64}{5,447.30} = 0.95$$

Quick Ratio= For the previous year:

Inventories = 2,462.32

$$\frac{5,164.99 - 2,462.32}{4,415.09} = 0.88$$



Sum up and comparison

1. The reduction in the current ratio from 1.16 to 0.97 would create problems with the company's capacity to meet its short-term obligations.

The surge in the acid ratio from 0.88 to 0.95 is a good sign, illustrating an improved ability to meet short-term obligations without counting on inventory.

2. ROE, the ROA went down from 2022 to 2023. it indicates that the company is lean in generating profits from its assets.

3. If we look at the EPS of both years there is a decline that might be considered unfavorable, If the company's earnings per share went down. these factors could be behind such as increased expenses, lower revenue, or changes in the number of outstanding shares.

if the market value of the stock remains at 1 in both 2022 and 2023, it shows that investors have not reacted negatively to the decrease in EPS.

4. the inventory ratio went up 2.98 to 3.33 telling that the company much time has been taken to sell its inventory in 2023 compared to 2022. This may be an indicator of slower inventory turnover, which could be because of different reasons such as overstocking, changes in demand, or inefficiencies in inventory management.



Assignment Questions



Assignment Questions

- Assignment Deadline: **20 February 2025**
- 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 based on terms and periods of financial requirement of the business. Provide detailed examples of the various forms of business finance available to a business.

Question 3:

Identify the main internal and external users of accounting information of a business, with special emphasis on the type of information each group requires. Give detailed examples of why the users would require such information, and what limitations, if any, exist in providing such data.

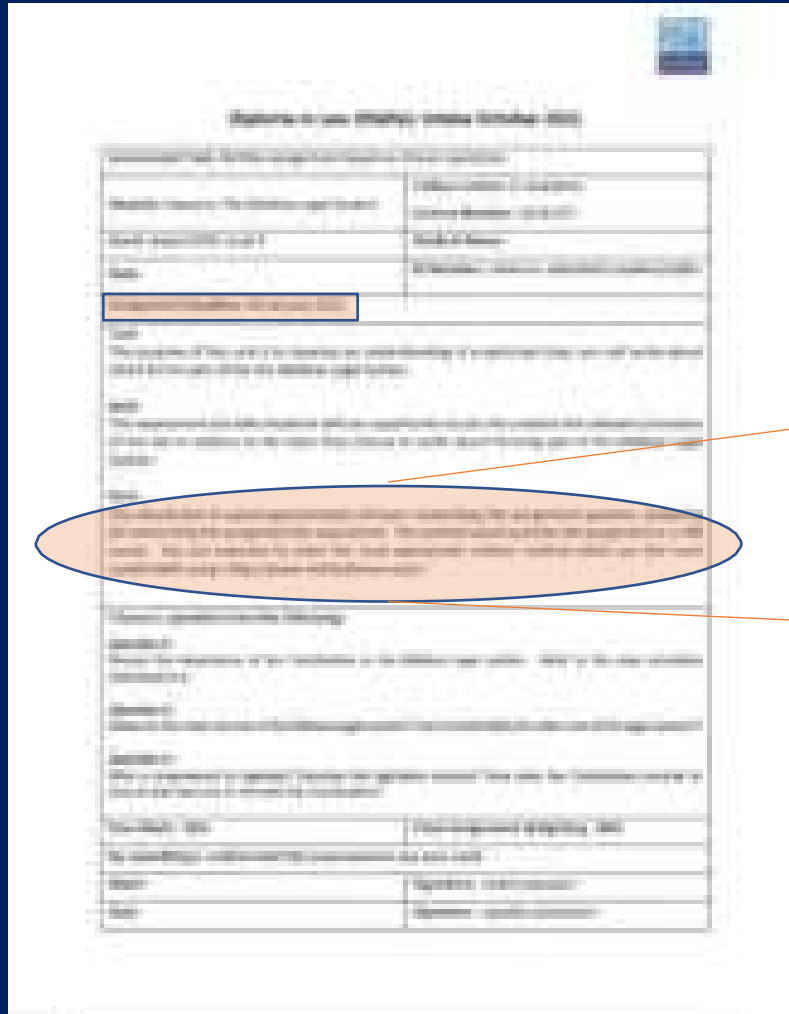


Assignment

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



Student's understanding of the subject



The image shows a document titled "Assignment Submission Form". It contains a table with several rows and columns. A blue box highlights a cell in the second row, and a blue oval highlights a cell in the third row. The text in the form is mostly illegible due to blurring.

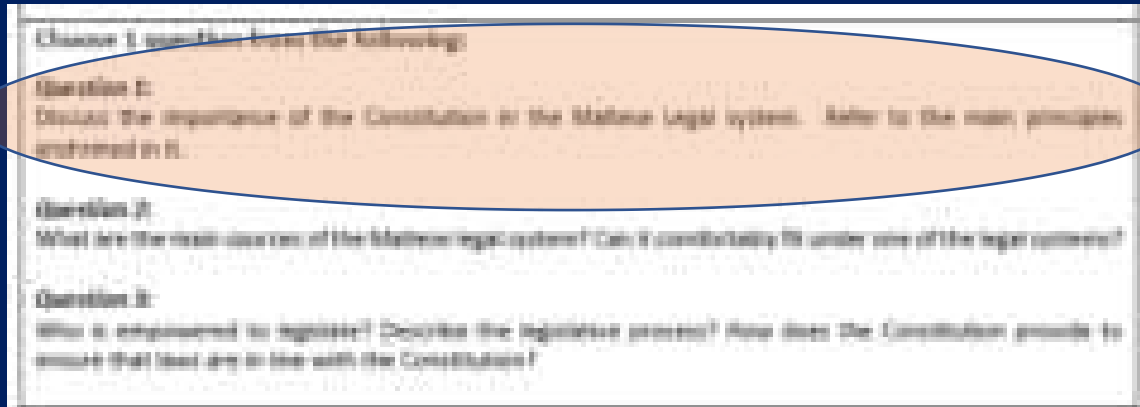
- Assignment Submission Form
 - the due date
 - the word limit

Note

You should plan to spend approximately 20 hours researching the assignment question, preparing for and writing the assignment for assessment. The normal 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.stotheforms.com/>)



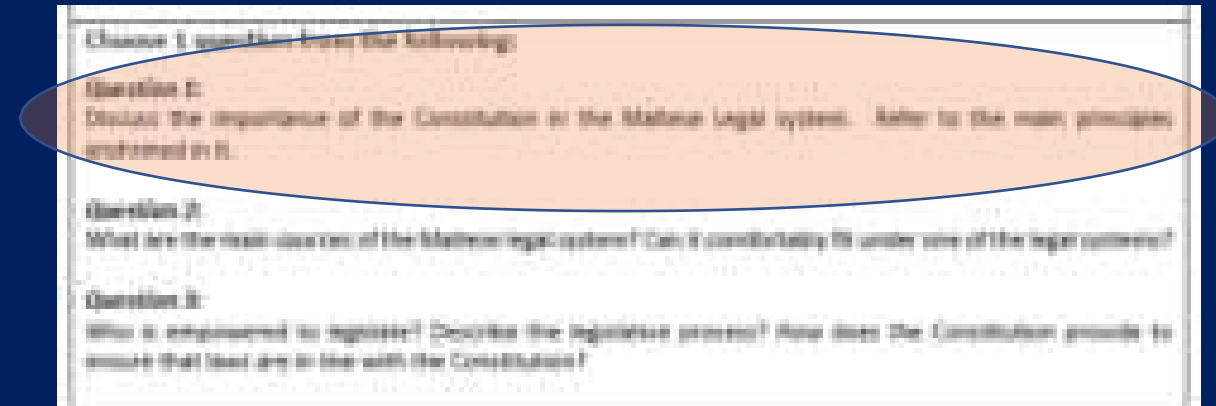
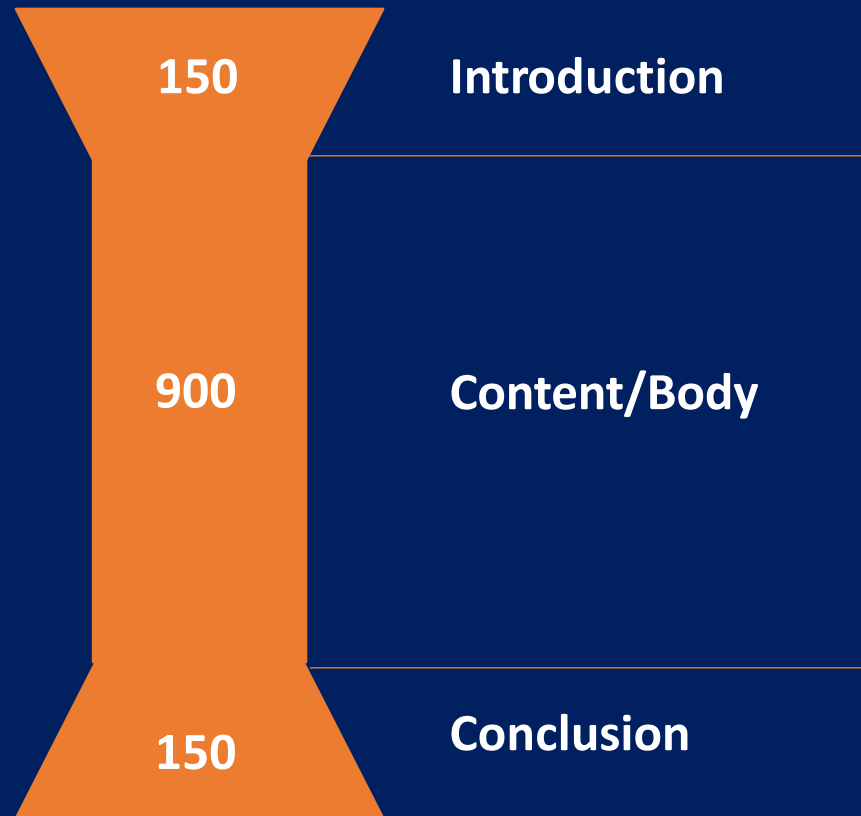
Student's understanding of the subject



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



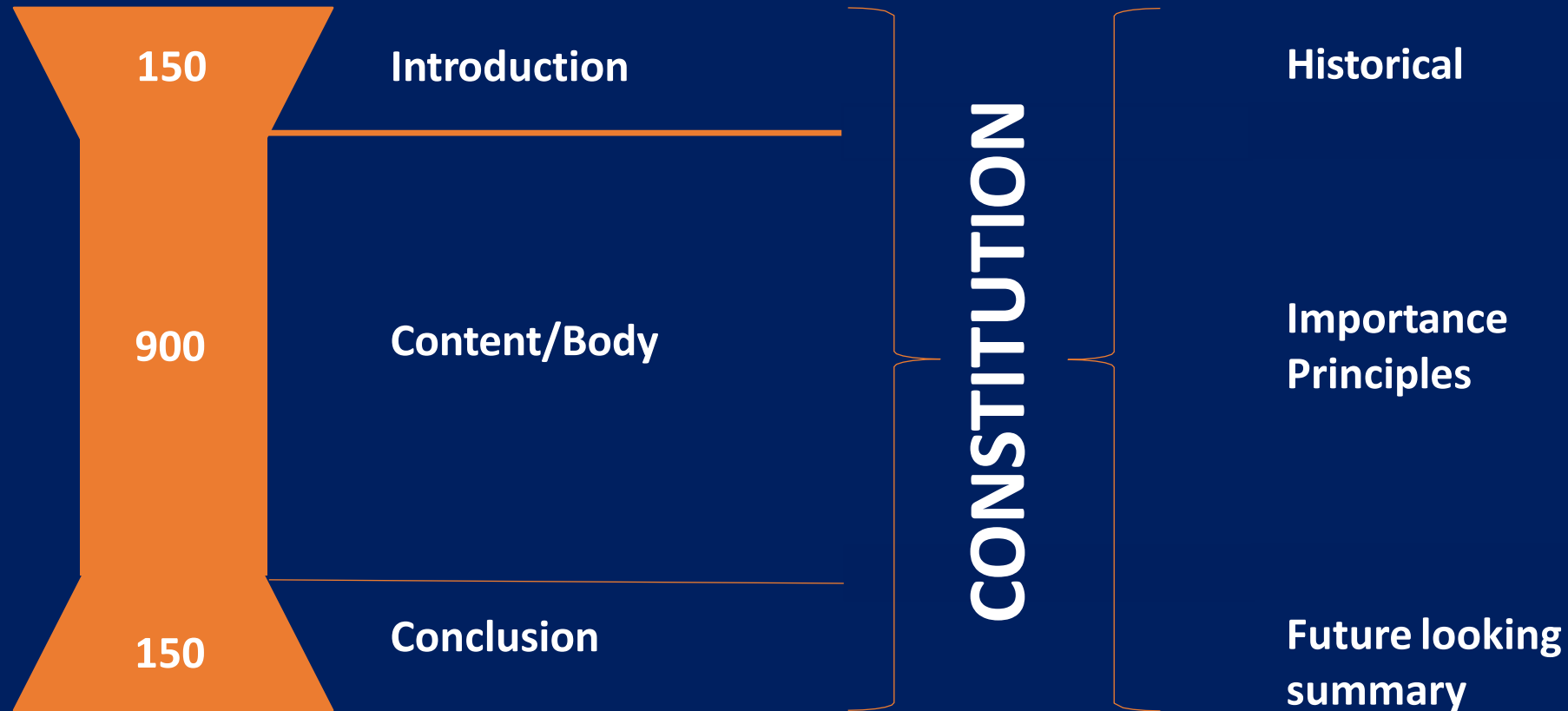
Assignment Plan



Assignment Plan



Assignment Plan

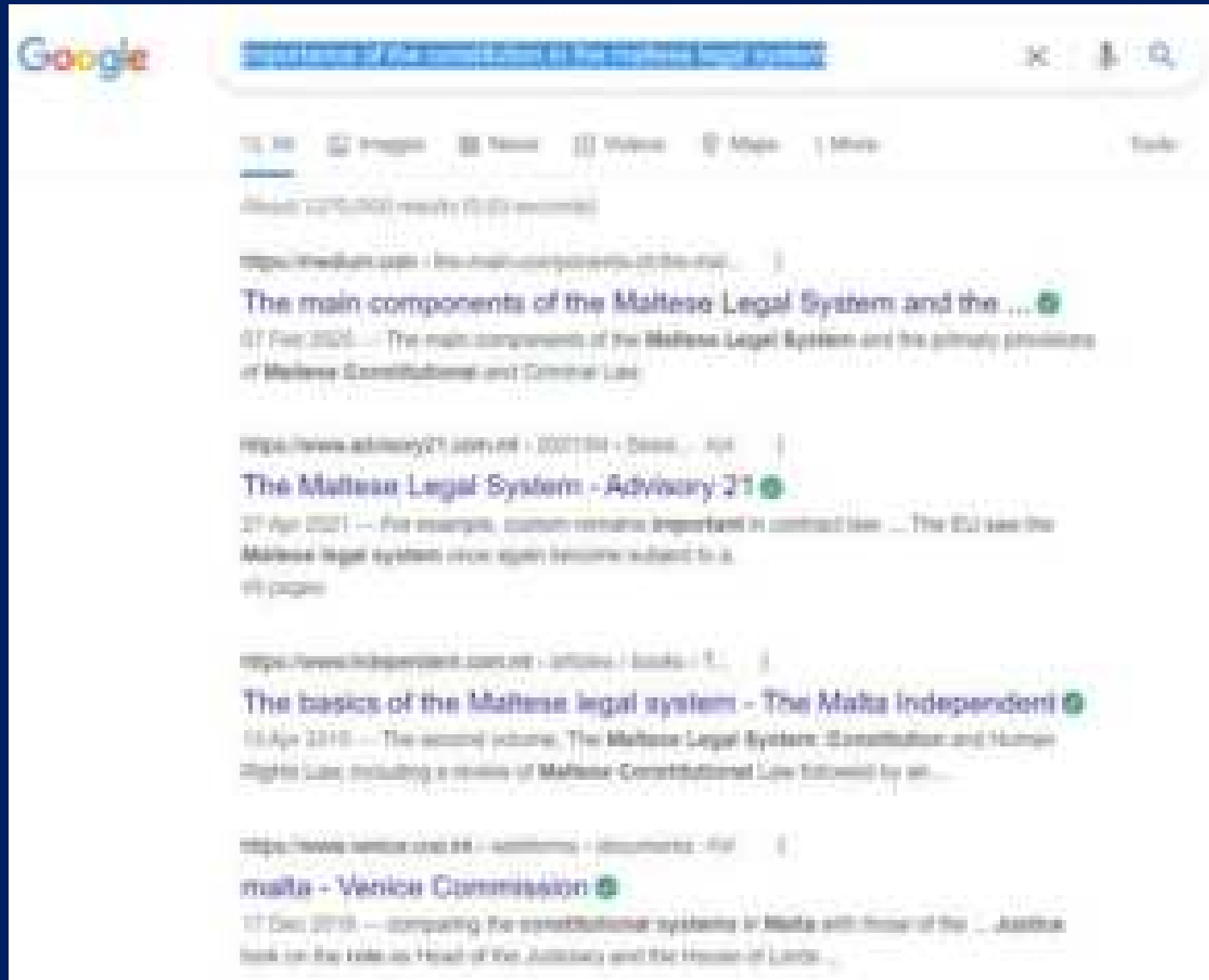


Sources

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



Online



The Rubric

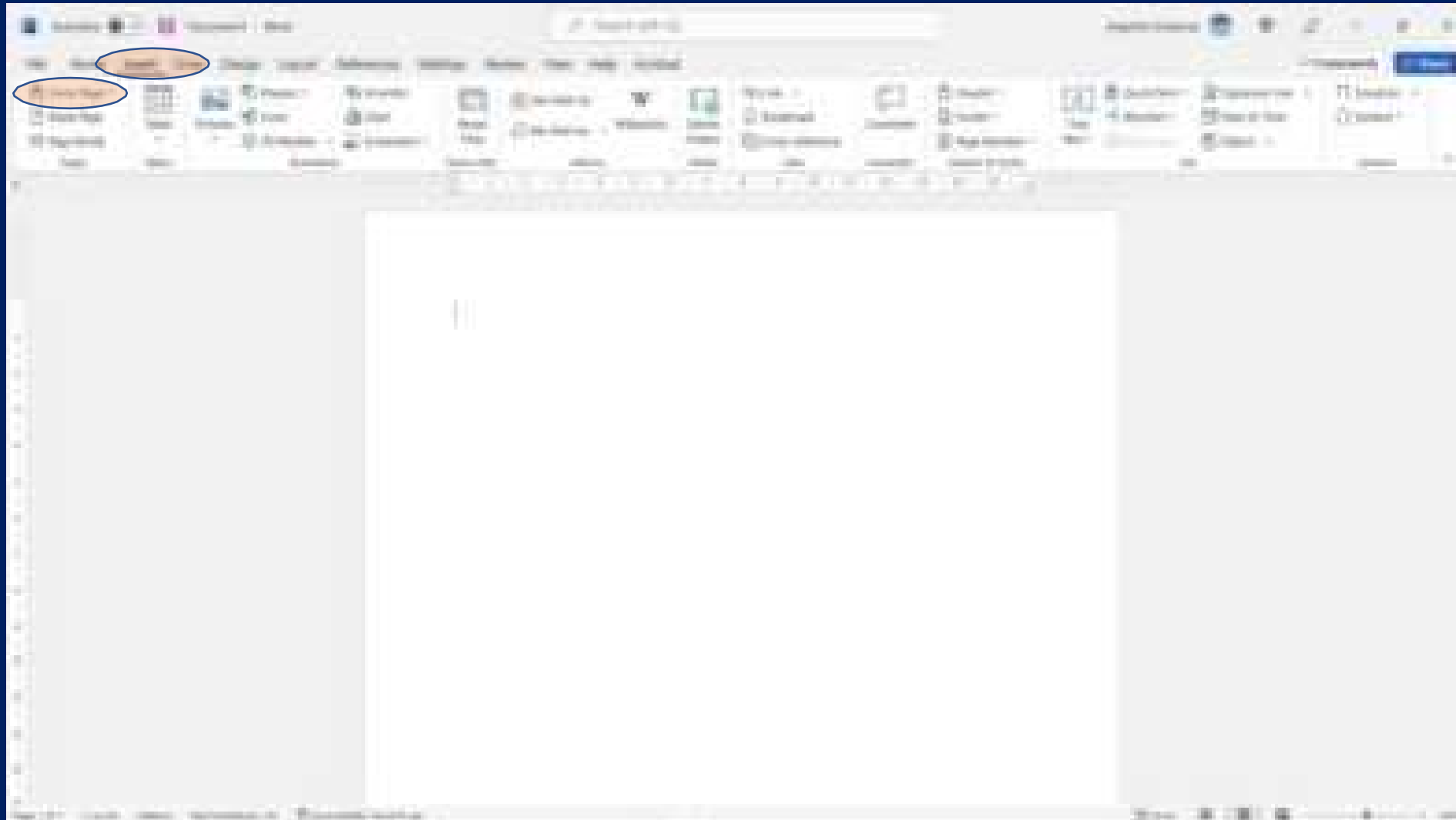
Assignments Rubric



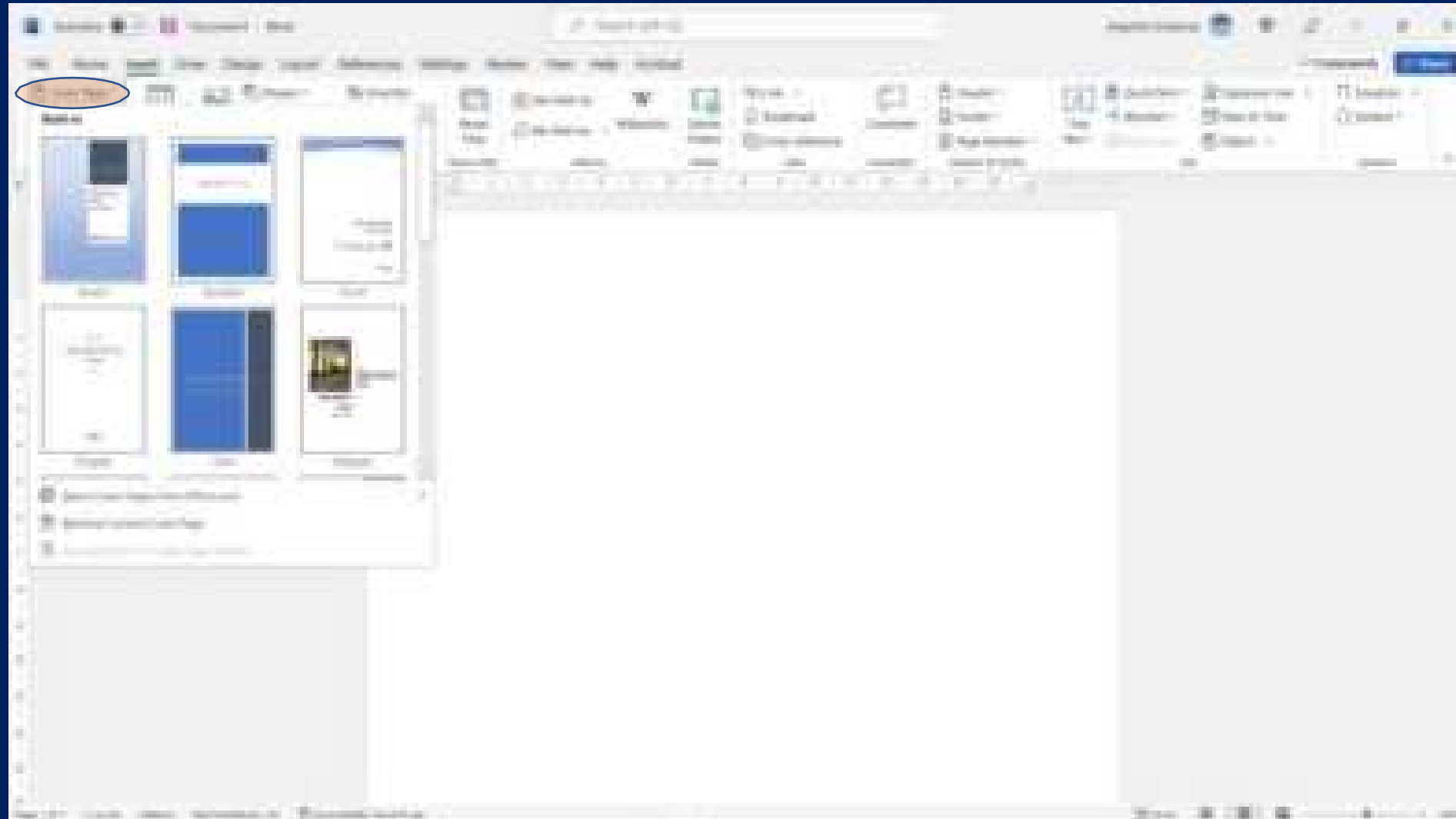
	1 mark	2 marks	3 marks	4 marks	5 marks
Content Depth	Only identifies issues, but does not explain them. Does not provide any evidence or analysis. Administration: 20%	Addresses all four	Addresses all four	Addresses all four in detail	Addresses all four
Structure	Does not follow a logical structure and does not use any headings or sub-headings. Administration: 20%	Identified issues, but not fully explained. Some evidence in the form of bullet points. Administration: 20%	Has a structure, but not fully explained. Some evidence in the form of bullet points.	Well structured.	Well structured.
Expression	Written in a very basic style. Poor grammar, spelling and punctuation. Administration: 20%	Written in a simple style of writing.	Clear, organized and detailed writing.	Very organized, using appropriate terms.	Written in a clear and professional style.



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 on white.



Cover Page

	5 marks
Cover Page	Title, Student's Name, Teacher's Name, Course Intake month and year, Submission Date, Neatly finished- work.



Referencing System

Citations	<i>All cited works, both text and visual, are done in the correct format with no errors.</i>
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Referencing System

In text

The document is split into two pages. The left page, titled 'Page 1', contains several paragraphs of text. The right page, titled 'Page 2', contains a 'References' section with a list of sources. Red arrows point from the text on page 1 to the corresponding entries in the reference list on page 2.

Page 1 (Left):

- Paragraph 1: ... (Cameron & Smith 2010) ...
- Paragraph 2: ... (Cameron & Smith 2010) ...
- Paragraph 3: ... (Cameron & Smith 2010) ...
- Paragraph 4: ... (Cameron & Smith 2010) ...
- Paragraph 5: ... (Cameron & Smith 2010) ...
- Paragraph 6: ... (Cameron & Smith 2010) ...
- Paragraph 7: ... (Cameron & Smith 2010) ...
- Paragraph 8: ... (Cameron & Smith 2010) ...
- Paragraph 9: ... (Cameron & Smith 2010) ...
- Paragraph 10: ... (Cameron & Smith 2010) ...

Page 2 (Right):

References

- Cameron, J. (2010). How to write a great business essay. The Sun. (7 March 2010). <http://www.thesun.com.au/business/2010/03/07/how-to-write-a-great-business-essay/>
- Copyright Management Office (CMA) (2010)
- Cameron, J. (2010). How to write a great business essay. The Sun. (7 March 2010). <http://www.thesun.com.au/business/2010/03/07/how-to-write-a-great-business-essay/>
- ABC-Cambridge. (2010). 'Search for the paragraph essay'. Education Queensland. April 2010. <http://www.abc-cambridge.com.au/>
- James, J. (2010). 'Search for the paragraph essay'. Education Queensland. April 2010. <http://www.abc-cambridge.com.au/>
- Leah, B. (2010). How to write a great business essay. The Sun. (7 March 2010). <http://www.thesun.com.au/business/2010/03/07/how-to-write-a-great-business-essay/>
- Tom, B. (2010). How to write a great business essay. The Sun. (7 March 2010). <http://www.thesun.com.au/business/2010/03/07/how-to-write-a-great-business-essay/>
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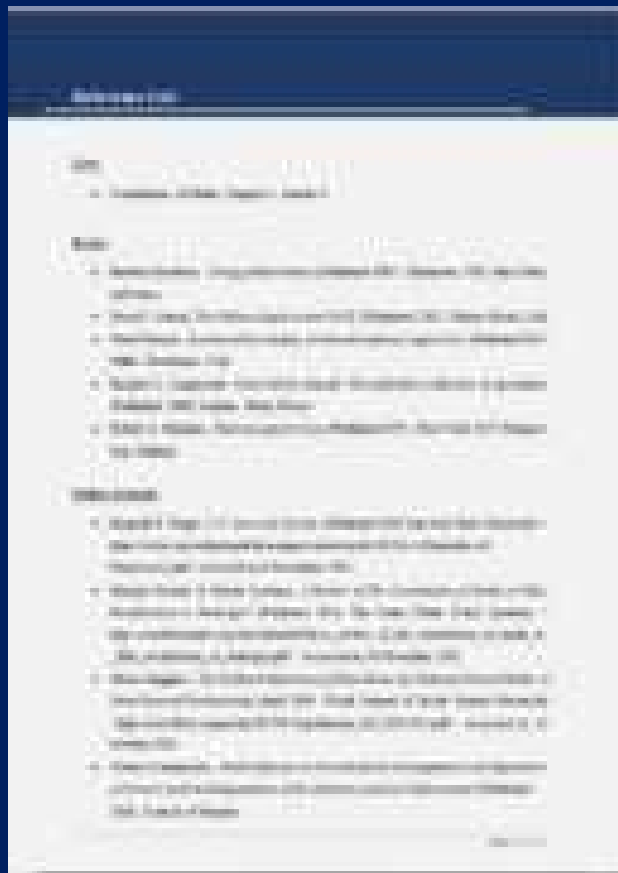
End-text citations
in a reference list

In-text citations



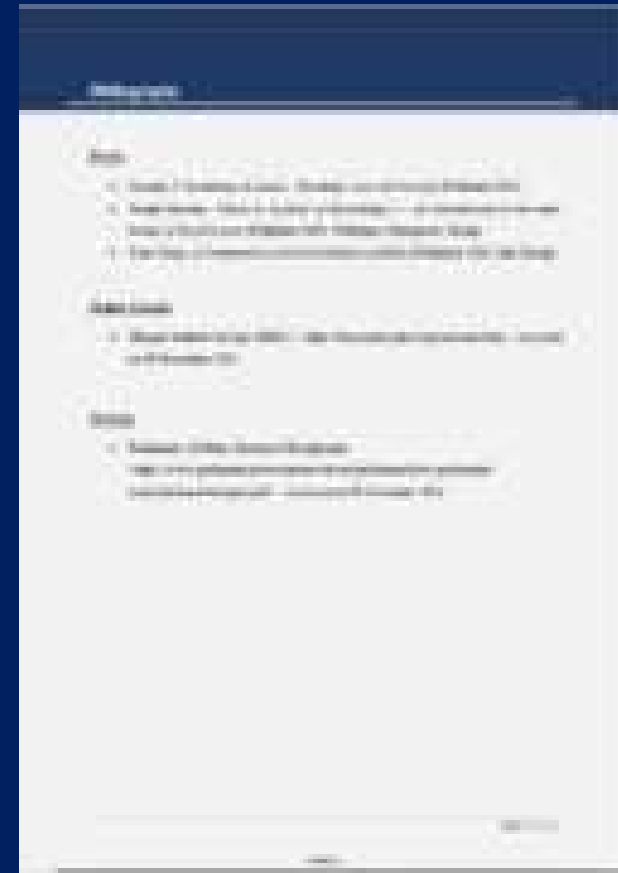
Referencing System

Reference & Bibliography



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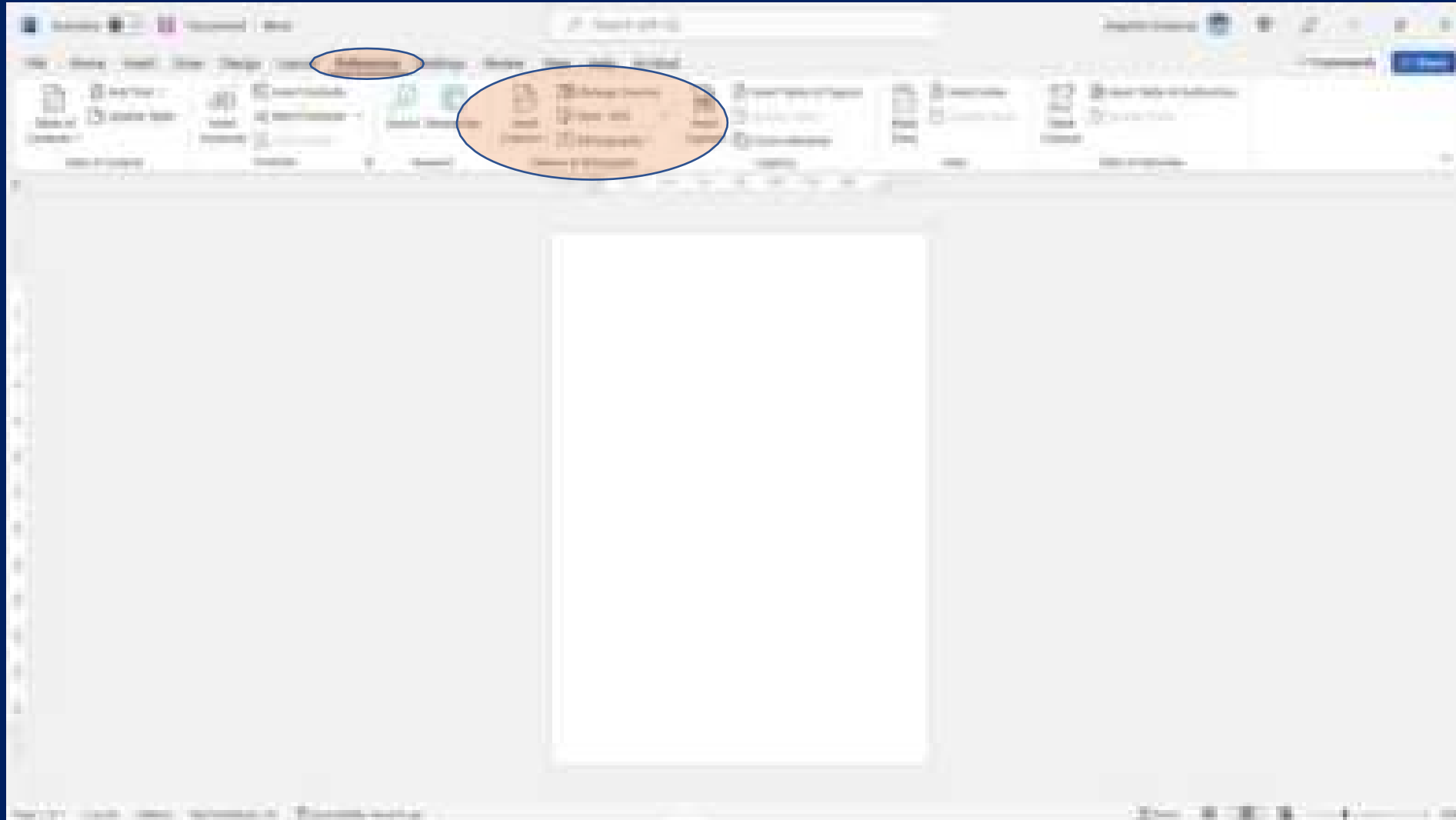
VS



Harvard Referencing



Referencing System



Referencing System

The image shows a web browser window with a blue circle around the address bar. The page content includes several promotional banners for Shutterstock, such as 'Dive into video that rises above' and 'Plagiarism can hide in plain sight'. A central section is titled 'Create Harvard, APA & MLA citations' and contains two buttons: 'Create citations' and 'Check your paper'.



Referencing System

citethisforme.com



Cover Page

<i>Appearance</i>	<i>Creative and attractive cover, clear organization, readable and neat, title page, table of contents.</i>
-------------------	---

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 image shows a sample table of contents page. It features a title page at the top right, a table of contents in the center, and a page number at the bottom right. The table of contents lists various sections and their corresponding page numbers. The sections are: Introduction (1), Chapter 1 (2), Chapter 2 (3), Chapter 3 (4), Chapter 4 (5), Chapter 5 (6), Chapter 6 (7), Chapter 7 (8), Chapter 8 (9), Chapter 9 (10), Chapter 10 (11), Chapter 11 (12), Chapter 12 (13), Chapter 13 (14), Chapter 14 (15), Chapter 15 (16), Chapter 16 (17), Chapter 17 (18), Chapter 18 (19), Chapter 19 (20), Chapter 20 (21), Chapter 21 (22), Chapter 22 (23), Chapter 23 (24), Chapter 24 (25), Chapter 25 (26), Chapter 26 (27), Chapter 27 (28), Chapter 28 (29), Chapter 29 (30), Chapter 30 (31), Chapter 31 (32), Chapter 32 (33), Chapter 33 (34), Chapter 34 (35), Chapter 35 (36), Chapter 36 (37), Chapter 37 (38), Chapter 38 (39), Chapter 39 (40), Chapter 40 (41), Chapter 41 (42), Chapter 42 (43), Chapter 43 (44), Chapter 44 (45), Chapter 45 (46), Chapter 46 (47), Chapter 47 (48), Chapter 48 (49), Chapter 49 (50), Chapter 50 (51), Chapter 51 (52), Chapter 52 (53), Chapter 53 (54), Chapter 54 (55), Chapter 55 (56), Chapter 56 (57), Chapter 57 (58), Chapter 58 (59), Chapter 59 (60), Chapter 60 (61), Chapter 61 (62), Chapter 62 (63), Chapter 63 (64), Chapter 64 (65), Chapter 65 (66), Chapter 66 (67), Chapter 67 (68), Chapter 68 (69), Chapter 69 (70), Chapter 70 (71), Chapter 71 (72), Chapter 72 (73), Chapter 73 (74), Chapter 74 (75), Chapter 75 (76), Chapter 76 (77), Chapter 77 (78), Chapter 78 (79), Chapter 79 (80), Chapter 80 (81), Chapter 81 (82), Chapter 82 (83), Chapter 83 (84), Chapter 84 (85), Chapter 85 (86), Chapter 86 (87), Chapter 87 (88), Chapter 88 (89), Chapter 89 (90), Chapter 90 (91), Chapter 91 (92), Chapter 92 (93), Chapter 93 (94), Chapter 94 (95), Chapter 95 (96), Chapter 96 (97), Chapter 97 (98), Chapter 98 (99), Chapter 99 (100), Chapter 100 (101). The page number at the bottom right is 101.



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



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



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



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

[da-bal 'en-tri]

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



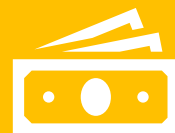
Financial Items:

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

Net Profit for the year	X 100
Equity + Liabilities	

RETURN ON EQUITY

Net Profit for the year	X 100
Capital	

Gross Profit

Sales Revenue

X 100

GROSS PROFIT MARGIN

Gross Profit

Cost of Sales

X 100

GROSS MARK-UP



Efficiency Ratios

Sales	ASSET TURNOVER	Sales
Net Assets		Fixed Assets
$\frac{(\text{Opening Stock} + \text{Closing Stock}) / 2}{(\text{Cost of Sales}) / 365}$		FIXED ASSET TURNOVER

$\frac{(\text{Opening Stock} + \text{Closing Stock}) / 2}{(\text{Cost of Sales}) / 365}$	AVG. INVENTORY TURNOVER PERIOD
--	---

$\frac{\text{Average trade receivables}}{\text{Credit Sales revenue}} \times 365$	AVG. RECEIVABLES SETTLEMENT PERIOD
---	---

$\frac{\text{Average trade payables}}{\text{Cost of Sales}} \times 365$	AVG. PAYABLES SETTLEMENT PERIOD
---	--



Liquidity 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

INTEREST COVER RATIO

Operating Profit before Interest

Interest Payable



Investment Ratios

Total Dividend Paid

Number of shares in issue

DIVIDEND PER SHARE

Profit after tax

Number of shares in issue

EARNINGS PER SHARE

Market value per share

Earnings per Share

PRICE TO
EARNINGS RATIO





**Undergraduate Diploma in
Business Administration**