

**Aufgabe QR-5.1: Jahresabschlussanalyse (Financial Statement Analysis)**

This task refers to the Sunny AG case study covered in chapter 5.

SEELZE Ltd. is a production firm. It produces high quality backpacks for tourists. Share market value for SEELZE Ltd. at this stage is 8.00 EUR. See below SEELZE Ltd. financial statements for the accounting periods 20X8 and comparative information for 20X7. Run financial statement analysis. When asked for a year's average amount of an asset or capital add values from 20X8 and 20X7 and divide the total by 2. Assume the auditors checked financial statements and claim that they provide reliable information about the business and its financial situation.

Prepare a ratio analysis. For latter pls. determine fixed turnover, inventory turnover, ROE, ROA, ROSF, gross profit as percentage of sales, net profit as percentage of sales, EPS, current ratio, acid test ratio, debtor's collection days, creditors' collection days, gearing, debt ratio, debt equity ratio, working capital, interest cover, P/E, dividend yield, earnings yield and market book ratio. Determine capital structure ratios as at EOY 20X8. As SEELZE Ltd. is a production firm and is not in the trading business all transactions are on credit.

SEELZE made an ordinary share issue on 30.06.20X8. All shares are 1.00 EUR shares. The business intends to declare a dividend 27 % of retained earnings.

No further interpretation required. Fictional example.

**Seelze Ltd's BALANCE SHEET as at 31.12.20X8**

	<b>20X8</b> [EUR]	<b>20X7</b> [EUR]
<b>Non-current assets</b>		
Property, plant and equipment	200.000,00	220.000,00
Investment property	40.000,00	40.000,00
Intangible assets		
Financial assets		
Investment accounted [...]		
<i>Total of non-current assets</i>	<u>240.000,00</u>	<u>260.000,00</u>
<b>Current assets</b>		
Inventories [40% RM, 60% FG]	178.000,00	103.000,00
Trade and other receivables	156.000,00	143.000,00
Cash and cash equivalents	96.000,00	64.000,00
Prepaid expenses		
<i>Total of current assets</i>	<u>430.000,00</u>	<u>310.000,00</u>
<b>Total assets</b>	<u><b>670.000,00</b></u>	<u><b>570.000,00</b></u>
<b>Liabilities</b>		
[...] Interest bearing liabilities	198.000,00	243.000,00
Trade and other payables	92.000,00	36.000,00
Provisions		
Liabilities and assets [...] IAS 12	24.000,00	21.000,00
Deferred tax liabilities [...] IAS 12		
Deferred income		
<i>Total of liabilities</i>	<u>314.000,00</u>	<u>300.000,00</u>
<b>Capital</b>		
Issued capital	80.000,00	50.000,00
Other reserves	71.000,00	71.000,00
Retained earnings	205.000,00	149.000,00
<i>Total of shareholder's equity</i>	<u>356.000,00</u>	<u>270.000,00</u>
<b>Total equity and liabilities</b>	<u><b>670.000,00</b></u>	<u><b>570.000,00</b></u>

**Exhibit 1:** Balance sheet as at EOY 20X8

**Seelze Ltd's INCOME STATEMENT for 20X8**

	<b>20X8</b>	<b>20X7</b>
	[EUR]	[EUR]
Revenue	560.000,00	470.000,00
Other income		
Changes in inventory of finished goods and work in progress		
Work performed by the entity and capitalized		
<i>Total</i>	<u>560.000,00</u>	<u>470.000,00</u>
Raw material and consumables used	(120.000,00)	(112.000,00)
Employee benefits expense	(225.000,00)	(167.000,00)
Depreciation and amortization expense	(20.000,00)	(20.000,00)
Impairment of property, plant and equipment		
Other expenses	(96.000,00)	(79.000,00)
Finance costs	(19.000,00)	(22.000,00)
Share of profit of associates		
Profit before taxation	<u>80.000,00</u>	<u>70.000,00</u>
Income tax expenses	(24.000,00)	(21.000,00)
Deferred tax income/expense		
<b>Profit for the period</b>	<u><b>56.000,00</b></u>	<u><b>49.000,00</b></u>

**Exhibit 2:** Income Statement**Lösung (Solution)**

Fixed asset turnover =  $560,000 / 0.5 \cdot (240,000 + 260,000) = 2.24$

Solution covers investment property that will be discussed on page 142. In case of consideration of operating profit only solution would have been  $560,000 / 0.5 \cdot (200,000 + 220,000) = 2.67$ .

Inventory turnover =  $560,000 / 0.5 \cdot (178,000 + 103,000) = 4.00$

ROCE =  $80,000 / [0.5 \cdot (356,000 + 270,000) + 0.5 \cdot (198,000 + 243,000)] = 15.00 \%$

ROA =  $(80,000 + 19,000) / [0.5 \cdot (670,000 + 570,000)] = 15.97 \%$

ROSF =  $80,000 / 0.5 \cdot (356,000 + 270,000) = 25.60 \%$

Gross profit as percentage of sales =  $(56,000 - 120,000) / 560,000 = 78.57 \%$

Net profit as percentage of sales =  $80,000 / 560,000 = 14.29 \%$

EPS =  $56,000 / 0.5 \cdot (50,000 + 80,000) = 0.86 \text{ EUR}$

$$\text{Current ratio} = 430,000 / (92,000 + 24,000) = \mathbf{3.7}$$

$$\text{Acid test ratio} = (430,000 - 178,000) / 92,000 = \mathbf{2.74}$$

$$\text{Debtors' collection days} = (156,000 \cdot 365) / 560,000 = \mathbf{101.68 \text{ days}}$$

$$\text{Creditors' collection days} = (92,000 \cdot 365) / 150,000 = \mathbf{223.87 \text{ days}}$$

For computation of purchases required in creditors' collection days formula use the following equation:

$$\text{Materials} = \text{Purchase} + 40\% \text{ Inventory}_{20X7} - 40\% \text{ Inventory}_{20X8}.$$

$$\text{Gearing} = 198,000 / 670,000 = \mathbf{29.55 \%}$$

$$\text{Debt ratio} = 314,000 / 670,000 = \mathbf{46.87 \%}$$

$$\text{Working capital} = 430,000 - (92,000 + 24,000) = \mathbf{314,000.00 \text{ EUR}}$$

$$\text{Interest cover} = (80,000 + 19,000) / 19,000 = \mathbf{5.21}$$

$$\text{P/E ratio} = 8.00 / 0.86 = \mathbf{9.30}$$

$$\text{Dividend yield} = (27\% \cdot 205,000) / (8.00 \cdot 80,000) = \mathbf{8.65 \%}$$

$$\text{Earnings yield} = 0.86 / 8.00 = \mathbf{10.75 \%}$$

$$\text{Market book value} = 8.00 / (356,000 / 80,000) = \mathbf{1.80}$$