

HI5020 Corporate Accounting

Assessment item 2 — Assignment

Weighting: 30 %

Total Marks: 30

Instructions:

1. This assignment needs to be submitted using safe-assign. No hardcopy or email attachment will be accepted.
2. It is the responsibility of the student who is submitting the work, to ensure that the work is her/his own work. Plagiarism will be heavily penalised
3. Assignment should be of 3,000 words. Please use “word count” and include in report.

Format of the Report

Your submitted assignment at least should have the following details:

- a. Assignment Cover page clearly stating your name and student number
- b. Executive summary
- c. A table of content
- d. A brief introduction of the companies you had chosen and an overview of what you discussed in this assignment
- e. Body of the report where you write your answers with appropriate section headings
- f. Conclusion (No recommendation is necessary).
- g. List of references. (Inclusion of any references in this list without in-text referencing will be a futile exercise.)

Assessment task

Select two public limited companies listed on the Australian Securities Exchange (ASX) that are in the same industry. Go to the website of your selected companies. Then go to the Investor Relations section of the website. This section may be called, “Investors”, “Shareholder Information” or similar name.

In this section, go to your companies’ annual reports and save to your computer your firms’ latest annual reports consecutively for last three years. Do not use your companies’ interim financial statements or their concise financial statements. Please read the financial statements (balance sheet, income statement, statement of changes in owner’s equity, cash flow statement) very carefully. Also please read the relevant footnotes of your companies’ financial statements carefully and include information from these footnotes in your answer.

You need to do the following tasks:

OWNERS EQUITY (5 Marks)

- (i) From your companies’ financial statements, list each item of equity and write your understanding of each item. Discuss any changes in each item of equity for your firms over the past year articulating the reasons for the change.
- (ii) Provide a comparative analysis of the debt and equity position of the two firms that you have selected.

CASH FLOWS STATEMENT (5 Marks)

- (iii) From the financial statement of your chosen companies, list each item reported in the cash flows statement and write your understanding of each item. Discuss any changes in each item of cash flows statement for your companies over the past years articulating the reasons for the change.
- (iv) Provide a comparative analysis of your companies’ three broad categories of cash flows (operating activities, investing activities, financing activities) and make a comparative evaluation for three years.
- (v) Also provide a comparative analysis of the two companies that you have selected explaining the insights that you can get from the comparative analysis.

OTHER COMPREHENSIVE INCOME STATEMENT (5 Marks)

- (vi) What items have been reported in the other comprehensive income statement for each company?
- (vii) Why have these items not been reported in Income Statement/Profit and Loss Statements?
- (viii) Provide a comparative analysis of the items shown in the other comprehensive income statement section for the two companies. If these items were included in the income statement / profit and loss statements of each company, how would the profit attributable to shareholders of the company be affected?

- (ix) Should other comprehensive income be included in evaluating the performance of managers of the company?

ACCOUNTING FOR CORPORATE INCOME TAX (15 Marks)

- (x) What are the tax expenses shown in the latest financial statements of the two companies that you have selected?
- (xi) Calculate the effective tax rate for both companies that you have selected. Effective tax rate is calculated as (income tax expense / earnings before tax). Which one of the companies has the higher effective tax rate?
- (xii) Comment on deferred tax assets/liabilities that is reported in the balance sheet articulating the possible reasons why they have been recorded.
- (xiii) Was there any increase or decrease in the deferred tax assets or in the deferred tax liability reported by each of your selected companies?
- (xiv) Please calculate the cash tax amount for both companies using the book tax amount, changes in the deferred tax assets and deferred tax liability (please do your own research for your better understanding of these concepts and the method of calculating the cash tax amount the book tax amount.)
- (xv) Calculate the cash tax rate for both companies. Which company has higher cash tax rate? (Please do your own research to familiarise yourself with how to calculate cash tax rate).
- (xvi) Why is the cash tax rate different from the book tax rate?

Please remember some aspects of your companies' treatment of tax can be a very complicated area, particularly for some companies. For a better understanding of the concepts included in the assignment that has not been introduced in the class, please do your own research.

PRESENTATION

You might have to do a presentation in the class where your lecturer will question you from different angles of the assignment and you will have to satisfy the lecturer that you were sufficiently and appropriately involved in preparing the assignment. The presentation will take place in the last hour of the classes of week 11 and week 12. It is the discretion of the lecturer either to ask any student to do the presentation or to award marks to a student without asking to do the presentation. However, every student needs to be prepared for the presentation and well conversant about everything that has been written in the submitted assignment.