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BUSINESS SCHOOL
AUSTRALIA

ACCM 4200
Financial Accounting & Reporting 1
Assignment
Trimester 1, 2014

VALUE: 25% of OVERALL ASSESSMENT

DUE DATE: Monday, 26 May 2014 (11.00pm)

SUBMISSION: The assignment will need to be submitted electronically through the student portal – use the link under "Assessments and Revision" to submit the information *(The portal will close at 11.00pm AEST – Students in Adelaide and Brisbane please note to adjust for the time difference accordingly).*

Learning Outcome 4: Develop information gathering (research) and communication strategies to enable the provision of professional advice to a client.

Background to case study: You are a graduate accountant working for W Rhodes and Associates a public accounting firm situated at 556677 George Street, Victoria. The Manager, of your firm, John Evans has asked you to follow up on an email sent by a client, namely;

1. **Peter Piper, the managing director of Pickled Peppers Ltd –** his email has raised a number of issues regarding his company, and your manager would like you to research the issues and draft a response in the form of a letter – see information in Case Study Details below. Maximum Length is 1250 words (excluding any calculations)

Part A Technical Component (15%) – This mark covers the technical content of your advice and the explanation on each of the issues, the calculations and the sources used.
Part B Communication Skills - Letter Writing and Questioning Skills(10%) – This mark covers the generic skills of business letter writing; layout, clear meaning, structure and organisation, appropriate tone and grammar, spelling and punctuation.

The assignment is designed to test the following skills:
1. Your **knowledge** and your ability to **research** the issues and then **apply** the information appropriately using **judgement**
2. Your **communication skills** - business letter writing.

Please make sure you follow the guidelines noted in your subject outline especially those relating to **presentation of written work, late policy and academic integrity.**
You should also familiarise yourself with the assessment marking rubric (attached) to guide you in how you can score marks.

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INDIVIDUAL CASE STUDY: Pickled Peppers Ltd – (15% technical)

Re: Numerous Accounting Issues
From: Peter Piper [peter.piper@pickledpeppers.com.au]
Sent: Monday, 31 March 2013 at 8.30am
To: John. Evans@Rhodes.com.au
Cc: Charade Flam[charade.flam@pickledpeppers.com.au]
Attachment: Issues Raised by the Board

Dear John,

Thanks for your letter suggesting we meet to plan the year end accounting work for the financial year ending 30 June 2014.

There are quite a few issues that the board of directors has raised with me in relation to the financial statements and I have noted them below for your response. Some of the directors are concerned about these issues as the company has just moved from being a proprietary company to a public company (with effect from 1 December 2013), and they think this changes matters.

To assist us in our decision making process could you please make sure that any relevant sources such as the AASBs, Corporations Act, reference books, journal articles, and/or websites are referenced so that the accounting team here could check them out when evaluating your answer. If you could kindly copy the newly appointed Financial Controller, Charade Flam in on your response she could start the review process.

I must confess I am not too worried about it as I am sure that all we need to do is to prepare the financial statements in the same way as we did last year. That's correct isn't it? I will be overseas on a marketing trip until almost the end of May and look forward to hearing from you by the time I get back.

Best wishes and regards

Peter Piper
Managing Director,
Pickled Peppers Ltd
Suite 2525, Level 28, Plaza Building
525 Charles Street
Adelaide SA 5000

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INDIVIDUAL CASE STUDY: Pickled Peppers Ltd – (15% technical)
ATTACHMENT
Pickled Peppers Ltd
Issues raised by the Board of Directors

Issue 1:

A large number of customers buy our products on a wholesale basis for their sales outlets and have set up credit facilities with us. As a company that prides itself in preserving and pickling fresh produce we like to make sure that our products reach as many people as possible. So in addition to the retail customers (Customer Type A) and supplying wholesale distributors (Customer Type B), we also entered into agreements with a number of cafes, motels and souvenirs style shops that sell Australian made products to tourists (Customer Type C). These customers hold our products on their shelves and when our representative visits them on a monthly basis, they return any items that are unsold and accept another batch of products from us. They are then invoiced for the items sold by them and payment is made within a month after the date of the invoice. At present we record the sales entry on receipt of the money from all types of customers as that seems to be the most consistent way to do this. The moment we receive the cash we enter the sale in our books and then bank the cash received. The newly appointed Finance Director has informed the board that he thinks this is incorrect and should be changed and Charade Flam the financial controller thinks he may be correct. Do we need to change the way in which we account for sales revenue and if so what does it involve?

Issue 2:

Jonny Appleton our manufacturing engineer designed and then manufactured an item of machinery which enables us to dry the fresh produce used in our pickling plant much more effectively. As this item of plant was manufactured in-house the only costs associated with it was the additional materials we needed to purchase for the machine, which was $80 000. It works so effectively and efficiently that it cut our manufacturing time by about 2 hours per batch. The factory manager wants us to show this item at its fair value (estimated at $ 225 000 by him) and to recognise the gain as sales revenue. He thinks this is fair as he has been asked by two other businesses "Granny's Jam" and "Martha's Pies" if he would be interested in manufacturing a similar machine for them and is presently in the process of doing so. He says that this increases the goodwill of the company too, and wants us to show this asset in the financial statements for the year ending 30 June 2014. Can we do that? How should we treat this? We haven't had a transaction like this before.

Issue 3:

In calculating the allowance for doubtful debts last year (year ended 30 June 2013) the accounts clerk who did the calculation made a big error is his excel spreadsheet and understated the amount significantly. Instead of allowing for 2% sales revenue ($2.5 million last year and $2.9 million estimated for the current year) which is the company's accounting policy, the amount allowed was just 0.02%. How should we treat this in the current year's financial statements? I have said that the board could decide on how we deal with this but unfortunately we are equally divided and Charade said that as the problem is less than 5% of sales revenue it is not material. The sales director is concerned that his sales figures will be impacted by this. How should we treat this? Can the board just decide?

Hint: Remember that your firm plans to charge the client for your advice; as a check ask yourself if you would pay for the advice you have drafted!

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