



University College Dublin
An Coláiste Ollscoile, Baile Átha Cliath

SMGT10010

Module Title: Financial Management of Sport

Extern Examiner (If Applicable)

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Intern Examiner(s)

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Question 1 (60 Marks)

Elobelle Limited run sports clothing shop. The Trial Balance, which has been extracted from the books and records for the company for the year ended 31st December 2019 is attached. The following transactions and items were not accounted for in the trial balance for the Year Ended 31st December 2019.

- A. A Consultancy fee for €1,500 for the year ended 31st December 2019 was not included into the Trial Balance.
- B. On a review of the aged Debtors (Accounts Receivable) listing, management has decided that a bad debt provision should be created for all debtors (accounts receivable). They have decided on a provision of 10%.
- C. €4,167 of the insurance costs relate to 2020. The remaining costs relate to the year ended 31 December 2019.

All purchases and sales are on credit.

Required

1. Prepare a Statement of Profit or Loss (Profit & Loss Account) and Statement of Financial Position (Balance Sheet) for the year ended 31st December 2019 for Elobelle Limited to include the adjustments for the items and transactions above. For each adjustment, show the double entry posting required **(35 Marks)**

2. Using Ratio Analysis (ratios attached) calculate the following:

- A. Gross Profit Margin for 2019
- B. Current Ratio for 2019
- C. Acid Test Ratio for 2019
- D. Debtors days for 2019
- E. Creditor Days for 2019

(10 Marks)

3. Provided below are the ratios for 2018, comment on the variances between the ratios calculated above and the ratios for the previous year. **(5 marks)**

Ratios	2018
Gross Margin	0.22
Current Ratio	1.4
Acid Test Ratio	1
Debtors days	60 days
Creditor days	80 days

4. In light of the performance of the company, suggest 5 measures to improve the results of Elobelle Limited in the year ahead. **(5 Marks)**

5. Identify the benefit and limitations of ratio analysis. **(5 Marks)**

Trial Balance for Elobelle Ltd 31 December 2019		
	Dr	Cr
Premises	€125,000	
Equipment	€45,000	
Fixtures & Fittings	€25,000	
Deposit Account	€120,000	
Closing Stock	€125,000	
Debtors	€345,000	
Prepayments	€5,000	
Bank Current Account	€15,000	
Bank Loan		€55,000
Creditors		€250,000
Accruals		€65,500
VAT		€15,000
Short term Finance Lease		€12,000
Long term Finance Lease		€48,000
Bank Loan		€175,000
Share Capital		€1,000
Revenue Reserves		€210,000
Sales		€1,450,000
Opening Stock	€90,000	
Purchases (All Credit)	€1,210,000	
Closing Stock		€125,000
Salaries	€250,000	
Light and Heat	€7,500	
Repairs and Maintenance	€2,500	
Insurance	€12,000	
Motor & Travel	€11,000	
Professional Fees	€5,000	
Accountancy Fees	€6,500	
Sundry Expenses	€750	
Bank Interest and Charges	€2,500	
Lease Finance Interest	€3,750	
	€2,406,500	€2,406,500

Ratios	(i) Profitability		
1	Gross Profit (Margin)%	Gross Profit	X 100
		Sales	1
2	Net Profit (Margin)%	Net profit	X 100
		Sales	1
3	Net Margin %	Profit Before Interest and Tax	X 100
		Sales	1
4	Return on Capital employed	PBIT	
		Capital Employed	
	(ii) Liquidity		
5	Current Ratio	Current Assets	
		Current Liabilities	
6	Acid Test Ratio	CA - Stock	
		CL	
	(iii) Efficiency		
7	Asset Turnover	Sales	
		Fixed Assets	
8	Stock Turnover	Cost of Sales * 365	
		Average Stock	
9	Debtor Days/Accounts Receivable Days	Accounts Receivable * 365	
		Credit Sales	
10	Creditor Days/Accounts Payable Days	Accounts Payable* 365	
		Credit Purchases	
	(iv) Shareholder		
11	Earnings per share	Net profit	
		Issued shares	
12	Price earnings Ratio (P/E Ratio)	Market Price per share	
		Earnings per share	
13	Dividend Yield	Dividend per share	
		Market price per share	
14	Dividend Cover	Net Profit	
		Dividend	
	(v) Gearing		
15	Debt/Equity	Long Term Debt	
		Shareholders Funds	

Question 2 (40 Marks)

1. What are the accounting entries for each of the following transactions that were included in the accounts of Glam Grans Ltd? Please state the amount and the accounts to be debited and credited.

- A. Glam Grans Ltd sold goods to GFG Ltd for €15,000 on 1st January 2019. GFG paid for 35% of the goods on the day of sale and agreed to pay the balance in 30 days' time. What are the entries in the books of Glam Grans Ltd?
- B. It is now 1st April 2019 and Glam Grans Ltd has not received the balance of money owed by GFG Ltd. The directors of Glam Grans Ltd believe that the debt is not recoverable and want to reflect this in the accounts. What are the accounting entries, including the amounts to be entered?
- C. Glam Grans Ltd bought stock from Waa Limited for €5,000 on credit. What are the accounting entries in Glam Grans' accounts?
- D. Glam Grans Ltd pays staff salaries of €50,000 for the month of April. What are the accounting entries?
- E. Glam Grans Ltd acquired office equipment on 1st January for €35,000 and will finance the cost of this by bank borrowings of €35,000. What are the accounting entries?
- F. At the end of the year, the depreciation charge on the office equipment is €3,500. What are the accounting entries?

(18 Marks)

2. In May/June 2019 a company that was VAT registered had gross sales (ie including VAT) of €540,000. The cost of materials sold was €300,000 including VAT. The company had overhead expenses of €40,000 in the period May/June 2019.

The VAT Rate for all purchases and sales is 23%

- A. Calculate the company's VAT liability/refund for May/June 2019
- B. What was the company's profit or loss for May/June 2019?
- C. What is the VAT element included in overheads?
- D. What was the company's Gross Profit and Gross Profit %?
- E. What is the company's net profit for May/June?
- F. What is the company's breakeven point for sales for May/June for the period?

(18 Marks)

3. Explain what the breakeven point is and why it is important to a business

(4 Marks)

Question 3 (40 Marks)

Eloise Ridgeway opened a smoothie bar on 1 January 2018 on the campus of a University in Dublin. The business, Smoothies for U Ltd has been really successful, and she has decided to expand. Due to the expansion plans, she has a number of queries that she would like you to help her with.

1. Smoothies for U Ltd did not have any tax charge in 2018, however based on projections, Eloise expects the company to have a corporation tax liability in 2019 (Year end 31 December). Advise Eloise of her payment and filing requirements for her corporation tax charge. **(5 Marks)**
2. Eloise's accountant has advised her that along with keeping a profit and loss and balance sheet, she needs to also maintain a cashflow. Eloise would like you to outline the reasons for preparing a cashflow. **(5 Marks)**
3. Due to the expansion, Eloise has decided to take on a team manager. She has identified an individual for the role, Isabelle Jane. Isabelle is an experienced manager and has agreed to a salary of €36,000 (Commencing work on 1 January 2019).
Eloise asks you to:
 - A. Calculate Isabelle's net salary for 2019 – the full year **(12Marks)**
 - B. Calculate the yearly employer's PRSI element of Isabelle's salary **(5 Marks)**
 - C. What is the cost for 2019 to the business of hiring Isabelle? **(5 Marks)**

The tables for 2019 Tax Rates, Tax Credits, PRSI and USC are attached.

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- A. What criteria must a company meet in order to qualify for the audit exemption?
- B. List 2 factors to consider when deciding whether or not to avail of the audit exemption.
- C. What does the term ARD mean for companies filing with the Companies Registration Office?
- D. Mags Ltd has an ARD of 31/03/2019. By what date must the annual return and accounts be filed with the Companies Registration Office

(8 Marks)

TAX RATES AND CREDITS 2019

Personal Tax Credits	
Single Person	€1,650
Married Couple*	€3,300*
Widowed no dependent children*	€2,190
Additional One Parent Family	€1,650
Widowed persons with dependent children – additional*	€1,650
Employee PAYE Credit	€1,650
Earned Income Credit	€1,350
Home Carer Credit	€1,500
*Applies to Civil Partners also/Surviving Civil Partners	

PRSI RATES 2019

PRSI and USC Employer and Employee		
Employer	10.95%	If income > €376 per week
Employer	8.7%	If income < €376 per week
Employee Class A1		
PRSI	4%	No Limit
USC	0.5%	First €12,012
	2%	Next €7,862
	4.5%	Next €50,672
	8%	Balance

TAX RATE BANDS 2019

Single/Widowed €35,300@ 20% Balance @ 40%
 Single/Widowed with dependant children €39,300 @ 20% Balance @ 40%
 Married/Civil Partners
 One spouse/partner with income €44,300 @ 20% Balance @ 40%
 Both spouses/partners have income €70,600* @20% Balance @ 40%
 *Transferrable between spouses up to a maximum of €44,300 for any one spouse

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