

Financial Statements

Assignments Help Provider

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Income Statement

Vera's Vegan Diner		
Income Statement for the year ended 31st March 2020 (£)		
<u>Turnover</u>		
Sales	£	552,580
Add:		
Closing Stock	£	28,750
Less:		
Opening Stock	£	23,788
Purchases	£	98,962
Gross Profit	£	458,580
Overheads:		
Rent & Rates	£	99,543
Salaries & Wages	£	225,349
Motor & Travel	£	8,561
Insurance	£	21,075
Advertising	£	15,438
Telephone	£	1,327
Professional Charges	£	6,450
Repairs & Maintenance	£	8,239
Miscellaneous Expenses	£	4,625
Loan interest	£	9,573
Total Overheads	£	400,180
Net Profit	£	58,400

Statement of Financial Position

Statement of Financial Position as at 31st March 2020			
Non-Current Assets	Historic Cost	Accumulated Depreciation	Net Book Value
	£	£	£
Fixtures & Fittings	54,278	5,428	48,850
Kitchen Equipment	70,588	10,588	60,000
Motor Vehicles	50,556	5,056	45,500
	175,422	21,072	154,350
Current Assets			
Stock		28,750	

Receivables	21,622	
	<u>50,372</u>	
Current Liabilities		
Payables	43,820	
Bank	22,846	
	<u>66,666</u>	
Net Current Assets		(16,294)
Non-Current Assets		
Bank Loan		55,000
Net Assets		<u>83,056</u>
Representing:		
Shareholders' funds		
Share Capital		24,656
Retained Profit for Year		58,400
		<u>83,056</u>

Break-even Point and Margin of Safety

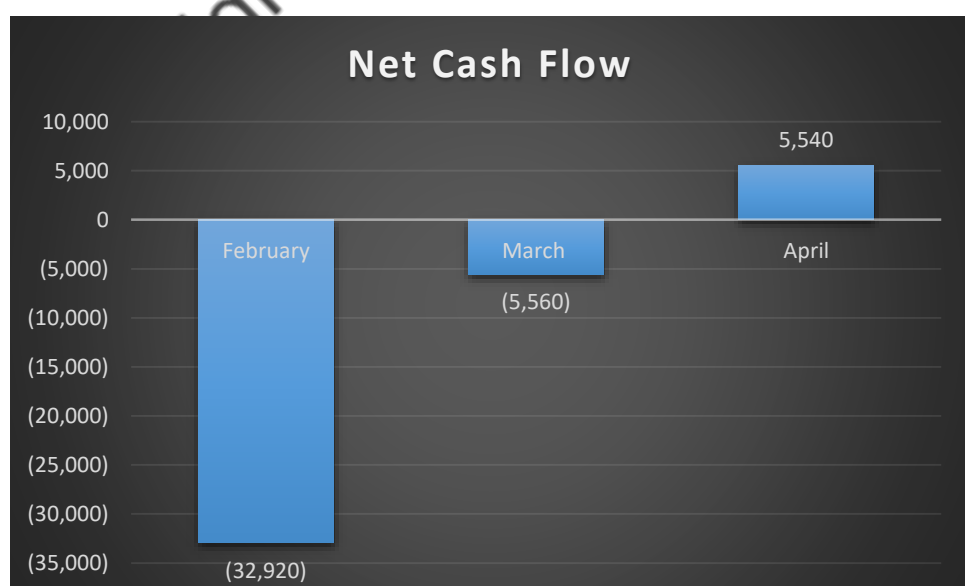
Vera's Vegan Diner		
Income Statement for the year ended 31st March 2020 (£)		
Number of customers		25,000
Particulars		Amount
Turnover		
Sales	£	552,580
Add:		
Closing Stock	£	28,750
Less:		
Opening Stock	£	23,788
Purchases	£	98,962
Gross Profit	£	458,580
Less: Variable Overheads (60%)	£	240,108
Contribution	£	218,472
Contribution per customer	£	8.74

Less: Fixed Cost (40%)	£	160,072
Profit	£	58,400

<u>Break-even point</u>	Fixed cost/ contribution per unit	18,317
<u>Margin of safety</u>	(Current sales-BEP sales)/current sales level*100	26.73%

Cash Budget

Vera's Vegan Diner				
Cash Budget for the three months ended April 2020 (£)				
Particulars	February	March	April	Total
Cash Inflows				
Income from Party Catering	6,080	8,040	3,340	17,460
Income from Food and Drink	48,000	52,600	50,800	151,400
Total Cash Inflow	54,080	60,640	54,140	168,860
Cash Outflows				
Food and Drink Purchases	17,500	19,200	21,600	58,300
Wages	13,500	15,000	11,500	40,000
Overhead	14,000	14,000	15,500	43,500
Kitchen Equipment	42,000	18,000	0	60,000
Total Cash Outflow	87,000	66,200	48,600	201,800
Net Cash Flow	(32,920)	(5,560)	5,540	0
Opening Balance	35,500	2,580	(2,980)	
Closing Balance	2,580	(2,980)	2,560	



Observation of the findings

On the analysis of the statements, it can be said that the financial performance of the company is quite good. However, at the same time, it is also recognised that the cash budget of the company is reflecting negative results. The customers of the company are also closer to its break-even point, which questions the company's financial performance. Additionally, it is also recognised that the sales of the company have decreased by 15% during last financial year as compared to the previous year, which shows that the company is facing difficulty in boosting its revenue and profitability. Overall, the above deficiencies reflect that the financial performance of Vera's Vegan Diner is not well and significant improvements are required for improving such deficiencies.

Recommendation

The company, namely Vera's Vegan Diner, can improve its financial performance by increasing its net cash flows. The company should reduce the receivable settlement period as it will help the company in generating funds at a faster rate. The cash is useful for the company in order to meet business obligations in a satisfactory manner. Additionally, the company should adopt online and offline marketing strategies in order to boost the revenues of the company (Long, 2019). Further, the company should also provide various patronage benefits to its customers, such as discounts and rewards. This will allow the company to retain its customers for a longer period of time and prove beneficial for boosting the company's profitability (Crandall, Crandall and Chen, 2014). Thus, it is recommended to the company that it should adopt the practice of faster collection, effective marketing strategy and provide patronage benefits to its customers in order to improve financial performance.

References

Crandall, R.E., Crandall, W.R. and Chen, C.C. (2014). *Principles of Supply Chain Management*. Florida: CRC Press.

Long, J.M. (2019). *Management and Leadership Skills that Affect Small Business Survival: A Resource Guide for Small Businesses Everywhere*. New York: Anthem Press.

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