ASSIGNMENT
Finance and Accounting
Senior Accountant Analysis

DUE DATE
Week 5

SHAUN'S CRITERIA

Hi Team,

I wanted to provide you some guidelines as you determine how we'll finance our expansion. Please give this careful consideration, as we need to get this right.

1. I estimate we'll need $150,000 to increase capacity in order to stock the five additional pop-up stands
2. We'll need to make sure we have additional funds available to increase our marketing efforts to stimulate demand
3. I'd like to maintain or increase our profit margins
4. If we're successful over the next two years, we'll likely seek additional capital to expand into more stores, so I'd like to do all we can now to enhance our credibility

We need to move on this quickly, so I'd like an answer by the end of the week.

-Shaun

FINANCING OPTIONS

Option 1: Equity

Raise $150,000 from a venture capital firm in exchange for 30% of the company

Option 2: Debt

Secure a loan of $150,000 at a 10% annual interest rate, to be repaid over 7 years

Option 3: Debt + Self-Financing

Secure a loan of $100,000 at a 7% annual interest rate, to be repaid over 7 years, and self-finance the remaining $50,000

JUNIOR ACCOUNTANT EMAIL

Hi,

I'm working on expenses from the last quarter for the revised income statement, but I'm unsure of what to do next. I grouped similar transactions to compile the following list:

- inventory purchases
- marketing expenses
- payroll expenses
- interest expenses
- technology purchases
- office supplies expenses
- automotive maintenance cost
- travel expenses
- training and development costs
- office rent
- raw material purchases

How would you like me to proceed given where we are in the process? Thanks in advance for your guidance.

Best,

Jenna S.

SUNSTRUCK SUNGLASSES
INCOME STATEMENT
For Year Ended September 30, 2016

REVENUES	
Sales revenues	$778,590
Other revenue	$11,000
Total revenue	**$789,590**
COST OF GOODS SOLD (COGS)	**($428,225)**
GROSS PROFIT	**$361,365**
EXPENSES	
Depreciation and amortization	($18,820)
Selling, general and administrative expenses	($78,959)
Marketing and advertising expenses	($55,271)
Total expenses	**($153,050)**
INCOME FROM OPERATIONS	**$208,314**
OTHER EXPENSES	
Interest expense	($51,000)
PRETAX INCOME	**$157,315**
Income tax expense	($55,060)
NET INCOME	**$102,255**

SUNSTRUCK SUNGLASSES
BALANCE SHEET
At September 30, 2016

ASSETS		
CURRENT ASSETS		
Cash	$28,000	
Accounts receivable	$55,220	
Merchandise inventories	$62,280	
Total current assets		$145,500
LONG-TERM ASSETS		
Property, truck and equipment		$468,000
TOTAL ASSETS		$613,500
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable		$37,500
LONG-TERM LIABILITIES		
Truck loan	$40,000	
B+M loan	$360,000	
Operating loan	$42,000	
Total long-term liabilities		$442,000
TOTAL LIABILITIES		$479,500
SHAREHOLDERS' EQUITY		
CONTRIBUTED CAPITAL	$12,000	
RETAINED EARNINGS	$122,000	
TOTAL SHAREHOLDERS' EQUITY		$134,000
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		$613,500

SUNSTRUCK SUNGLASSES
STATEMENT OF CASH FLOWS
For Year Ended September 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash collected from customers	$733,780
Cash paid to suppliers and employees	($529,580)
Cash paid for interest	($50,000)
Cash paid for taxes	($55,060)
Net cash provided by operating activities	$99,140
CASH FLOWS FROM INVESTING ACTIVITIES	
Cash paid on truck loans	($20,000)
Cash paid on B+M loans	($40,000)
Net cash used for investing activities	($60,000)
CASH FLOWS FROM FINANCING ACTIVITIES	
Cash received from operating cash loan	$12,000
Net cash provided by financing activities	$12,000
NET INCREASE IN CASH DURING YEAR	$51,140
CASH AT BEGINNING OF YEAR	($23,255)
CASH AT THE END OF YEAR TO DATE	$27,885

NAME:
INSTUCTOR:
DATE:

STRAYER UNIVERSITY

ASSIGNMENT 2

FINANCE & ACCOUNTING – SENIOR ACCOUNTANT ANALYSIS

DUE DATE: WEEK 5

Note: While representative of possible situations faced by SunsTruck Sunglasses, all scenarios in this assignment are fictional.

REAL BUSINESS

Large discount retailers like Target and Walmart employ large teams of Finance and Accounting professionals to help measure and understand the financial health of the business. Financial and accounting information helps these businesses make educated financial decisions, such as whether or not to continue partnering with a retail supplier. While often smaller businesses, it is equally important for these retail suppliers to use financial and accounting data to make educated decisions, such as the best approach to gaining additional funding.

YOUR ROLE

This week, you'll assume the role of Senior Accountant with SunsTruck Sunglasses.

WHAT IS A SENIOR ACCOUNTANT?

Senior accountants take ownership of reporting costs, profitability, margins and expenditures for a given business. They use the principles of accounting to analyze sales information, create financial reports, make recommendations about the financial health of the company, and more. They are also responsible for training junior accounting staff.

For the last six months, SunsTruck has partnered with the discount retail store to run a pop-up sunglasses stand in their stores for a big summer promotion. Due to the high customer purchase rate, the store has requested stock for five additional stores. SunsTruck needs to increase its capacity to meet the additional demand. In order to do so, SunsTruck needs additional money.

In this assignment, you will need to help determine which type of financing option is best for your company and train your junior accountants on the accounting cycle and financial statements.

INSTRUCTIONS

STEP 1: FINANCING

The junior accounting team has assembled a Financing Report that (a) offers three options for securing the additional funds required to meet the new order; and (b) details the criteria Shaun, the owner of SunsTruck, would like you to consider when choosing one of the three options. Based on this report:

- Identify which financing option you think is the best option for SunsTruck to pursue given Shaun's constraints. Underline your selection:
    - Option 1: Equity
    - Option 2: Debt
    - Option 3: Debt + Self-Financing

Explain the rationale for your decision.

Note: You should complete Steps 2 & 3 after reading the material in Week 5.

STEP 2: ACCOUNTING CYCLE

A junior accountant is working to get everything in order for the new financing and has come to you with a question about what do next in the accounting cycle.

- Read the email the junior accountant sent you and identify the best next step to take in the accounting cycle. Explain your reasoning.

STEP 3: FINANCIAL STATEMENTS

A potential investor has been identified, but before it is willing to commit, it has requested information about SunsTruck's current debt from the junior accountants.

- Identify the correct financial statement for your junior accountants that will provide the investor with the information it has requested. Underline your selection:
    - Income Statement
    - Balance Sheet
    - Cash Flow Statement

Explain to your junior accountants why you are giving them this financial statement and where the debt information is located.

STEP 4: FINANCIAL ANALYSIS

If you were the type of financier selected in Step 1, would you invest in SunsTruck? Explain the rationale for your decision.