**Assignment One**

**Draft Step 3-5**

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Unit: ACCT11059

**Step 3:**

Allocated Company: China Ting Group

**Background information:**

China Ting Group Holdings Ltd has been in business for twenty-eight years as it was founded in 1992 (China Ting Group, 2014). This company is a garment manufacturer, exporter and retailer with offices located in New York, Paris, Hong Kong and Shanghai (China Ting Group, 2014).

In terms of export value and volume, China Ting Group Holdings Ltd is regarded as one of the largest silk groups in China (China Ting Group, 2014). The headquarters is located in Hong Kong. The Group is mainly involved in three core areas including:

1. Total garment manufacturing
2. Retailing in China
3. Home textile product manufacturing

(China Ting Group, 2014)

To watch the company’s corporate video, please click on the following link:

<http://www.chinating.com.hk/corporate_video.html>

**Key Concepts and Questions:**

The latest annual report released for the company was for the year ended 31 December 2018. The chairman’s statement released within this report stated that the global economy was full of challenges throughout the 2018 financial year (China Ting Group, 2019, p. 13). The company faced concern and pressure in relation to the trade war between China and the US, which also resulted in a rise of cost in the companies manufacturing sectors (China Ting Group, 2019, p. 13). In addition, the global economic growth was lower than expected and the financial market experienced continual fluctuations, with international trade risk remaining high (China Ting Group, 2019, p. 13). The US remained the groups dominant market, which resulted in a turnover decrease of 3.8% in the 2018 financial year (China Ting Group, 2019, p. 16).

The financial review section of the 2018 Annual Report highlighted that the Group’s revenue also resulted in a decrease of 2.6% compared to the 2017 financial year (China Ting Group, 2019, p. 17). In addition the gross profit for the year ended 31 December 2018 also represented a decrease of 15.3% compared to 2017 (China Ting Group, 2019, p. 17). Reading through the annual report it was evident that this company was facing challenges.

Profit Warning & Key Challenges:

The Group released a profit warning for the year ended 31 December 2019, which stated that the board wished to advise the shareholders and potential investors of the company that the group anticipated to report a loss for the year ended 31 December 2019 (China Ting Group Holdings Limited, 2020, p. 1).

The key reasons for the loss included the following:

1. Gross profit of the Group for the 2019 financial year was scheduled to decrease by roughly 33.5%. This reduction was due to the rising price pressure on the garment products that were supplied and produced by the group (China Ting Group Holdings Limited, 2020, p. 1).
2. The trade tension continued in the 2019 financial year, which seen a decrease in the amount of sales revenue of the original equipment manufacturing business of the Group by roughly 19.00% (China Ting Group Holdings Limited, 2020, p. 2).
3. Stagnant retail markets and reduced number of retail shops resulted in a decrease in the amount of sales revenue of the Group of approximately 9.4% (China Ting Group Holdings Limited, 2020, p. 2).

To view profit warning announcement please click on the following link:

<https://doc.irasia.com/listco/hk/chinating/announcement/a200313.pdf>

Reading through the 2018 Annual Report and the Profit warning announcement notice for the 2019 financial year highlights the challenges this Group has faced which includes coping with market competition, loosing market share, the trade war, decreased turnover, the decrease in number of retail shops and the sluggish retail markets. Reduced income and market share can also result in the loss of jobs.

This also raises some concern for the 2020 financial year, as our world is currently going through a pandemic. This raises concerns, as this will obviously have major affects to economies worldwide. This makes me question if the Group will survive during this period, if the trade war will continue and will worsen and does the group have a plan in place to gain market share and to address other challenges.

How the Group appears to be meeting these challenges:

The 2018 Annual Report has a section to discuss corporate risk management and internal control. This section identifies the Groups risk and informs readers of the risk control measures in place. The first risk identified in this section was the China-US trade friction, which was mentioned throughout the annual report and the profit-warning announcement (China Ting Group, 2019, p. 47). The risk measure in place for this risk was for the group to keep a close eye on the release of international and domestic governments, and adjust the company’s operational strategy timely (China Ting Group, 2019, p. 47). In addition, to minimise the dependency on the US market, the company will need to develop domestic and global customers (China Ting Group, 2019, p. 47).

This was only one of the identified risks outlined within the Annual Report. This section of the Annual Report gave me some hope, as it was good to read that the group had risk measures in place, especially after reading about their decreases in turnover, revenue and gross profit.

**Thoughts on Studiosity:**

Studiosity is a great online tutoring method. This was the first time I had used this support during my degree. I didn’t know that this online support was available and I am surprised as this is my last year of my degree. I received feedback very fast and it was useful.

The feedback I received was to focus on choice of language, spelling/grammar and referencing. Having online support available is great for students, and especially providing this support 24/7. This is useful for students that work full time like me as I can’t attend all lectures and ask questions. It is very convenient as trying to organize a time that would suit both yourself and a tutor would be difficult for many students. Some students may also be too nervous to ask for help, so having this support online will allow them to ask and not be embarrassed.

I would definitely use this support again. I would also recommend this to other students.

**Top three blogs:**

**1) Chloe Barnfield:**

I think that when creating a blog it is important for the blogger to use an attention-grabbing headline, and I think this is what Chloe has done. I liked that Chloe used an accounting quote on her blog. I think that this was funny because I did the same when creating mine. Her blog was easy to follow and was well presented. I like that her blog used images to catch the reader’s attention, I think that a blog without images could be quite boring.

It was interesting to read that Chloe also works full time whilst studying. I liked that Chloe was quite personal in her about me section of her blog. I think that blogging is a good way for students to feel apart of a community and support hub.

Throughout her blog Chloe used quirky quotes such as her one from Alice in wonderland. Chloe is also very active on her blog and posting which I think is important for her viewers.

To check out her blog: [https://chloecqublog.wordpress.com](https://chloecqublog.wordpress.com/%22%20%5Ct%20%22_top)

**2) Kylie Boni:**

When going through the blog forum I searched through quite a few students to see which ones I was drawn to. When clicking on Kylies link I was instantly drawn to her blog. This was because she used colour, images and bold headings.

My favourite part of her blog was that she included a section of inspirational quotes. I found this unique, and thought that it was a great way to motivate other students. This is a great way to promote positivity. Normally as students we are reading content that is new and may be confusing so I think that Kylie including this was nice as it was light and easy to read.

When reading about Kylies Company she included information about her company’s current challenges not only the ones discussed throughout her allocated companies latest annual report. She talked about how the company, which was Marston’s, has been affected due to the Coronavirus.

I think that including current news to her readers is important. It’s important for us students to understand how businesses can be affected by so many different factors.

To check out her blog: [https://kyliecqu.wordpress.com](https://kyliecqu.wordpress.com/%22%20%5Ct%20%22_blank)

**3) Nicole Hanson:**

Nicole’s was also another one of my favourite blogs. This is because I found it also easy to follow with the layout she used. Nicole was also active and posted regularly, which meant when viewing her blog there was a lot to read. She also used photos on her blog to engage the viewer. My personal favourite was the photo of her dog – her favourite study buddy.

Nicole didn’t rewrite the study guide for her step one, which is exactly what Martin explained not to do. She also included not only her own but also her family’s experiences making it easy to read. Her about me section was down to earth. I like that she admitted she was nervous and excited about this unit. Hearing another student say that they are nervous allows other students to feel not alone.

To check out her blog: [https://nicolecqu.wordpress.com](https://nicolecqu.wordpress.com/%22%20%5Ct%20%22_top)

**Step 4: Company Spreadsheets**

(Attached separately)

**Step 5: KCQ’s for Chapter 2 and Chapter 3.1 & 3.2**

Chapter Two - Understanding the game

When reading the title of chapter two “Understanding the Game” I thought that this chapter would be interesting. I also remembered that chapter one started off by asking the reader what is accounting and then continued to ask whether accounting was a game that could be manipulated to get the results we want. From working in an accounting firm for over six years I knew that it was wrong to manipulate the numbers to get the results you want. This is wrong because the main objective of financial reporting is to be able to provide users with valuable information whilst providing a true and fair view of the business reality.

I thought it was good that chapter two started off with a quote regarding rules. To understand the game you must know the rules. Once reading the quote I knew that the chapter would be related to something to do with rules and the importance of them in relation to accounting. Rules are not a new concept and even if you haven’t studied accounting before you would have heard of this term.

Life has many rules, and we have been following these for all of our lives. When you think of your favourite sport whether this be netball, soccer or football these all have rules. Rules also play an important role in modern society and these rules can differ from country to country. Accounting is no different.

This chapter then goes on to discuss where the rules come from. Firms need to comply with rules in Australia when preparing general-purpose financial statements to people outside a firm. I think that it is important for us students that are studying accounting to be aware that rules are enforced by different regulatory bodies in different countries. The rules that accountants must follow when preparing financial statements are the generally accepted accounting principles (GAAP). Listed companies and other businesses must follow these principles for external reporting.

This section of the chapter also introduces accounting standards. The first thought that comes to mind when I think of standards is achieving grades at university. As a university student, many of us would like to produce our assignments to a high level standard. From prior experience to do this meant I have had to put in the time and effort. This meant following the university schedule and keeping on top of the material and having discipline. I would also follow the guidelines set out by the university lecturer. I know that this isn’t quite the same as accounting standards, but I think that the concept is similar. Accounting standards are in place to make sure accountants prepare quality financial statements.

The Australian Accounting Standards Board (AASB) sets the accounting standards in Australia. Under the Corporations Act, companies in Australia must comply with these standards. The Australian Securities and Investment Commission (ASIC), is in charge of making sure companies comply by these standards. Reading through this section of the chapter makes sense to me, as these terms are not new to me. I have learnt about the Australian Accounting Standards before and I am aware of who ASIC is. At work I look after all of the company administration, as this is apart of my job role. This means that I lodge company changes with ASIC. I therefore need to be aware of who ASIC is and the standards that apply.

The three main professional bodies in Australia include Charted Accountants Australia and New Zealand (CAANZ), CPA Australia and Institute of Public Accountants. The accounting firm I work with is a CPA firm. This means that our four directors have completed their CPA, as well as the senior accountants. As I am an undergraduate, my work will want me to complete this once I have finished my degree. This is something that is advertised on our website to guarantee our clients that the highest standards are always maintained.

Accounting concepts is also introduced throughout chapter two. Accounting concepts refer to basic principles and rules, which are used as the basis of preparing accounts and recording business transactions. I think that the main objective of accounting concepts from prior learning and experience is that this is a way to maintain uniformity and consistency in accounting records.

Accrual Accounting is a concept that is introduced. This concept assumes that revenue is realised at the time of sale, which may not be when the cash changes hands. Under this concept expenses are also recognised when they become due and payable not when the cash payment is made. The significance of this concept is that it helps management and accountants know actual income and expenses during a particular period of time. When preparing financial accounts for clients at work, it is important that when I export the client’s data-file into our accounting program I do this by selecting accrual accounting, not cash accounting. Other concepts discussed include going concern and materiality. The going concern concept is that financial statements are prepared on the assumption that every business will continue to carry on business for an indefinite period of time.

Quality of accounting information is important to consider when preparing or evaluating a companies financial statements. Two key qualities that are highlighted that financial statements should possess include relevance and faithful representation. Both of these qualities allow accounting information to be useful for decision-making purposes. Relevance relates to information, and that this information should be able to be used to make decisions. Whereas faithful representation means that the user can rely on the information within the financial reports. Other qualities are discussed such as comparability, timeliness and understandability.

Chapter Three – Introducing Financial Statements

Section 3.1 looks at financial statements that are included within a firm’s annual report. The first one that is discussed is the Balance sheet, which is a statement that shows an firms financial position on a day. For assignment one I was allocated China Ting Group Holdings Limited and the balance sheet was shown as at 31st December. I found this interesting, as when I prepare financial statements at work the balance sheet has always been as at the 30th of June, unless we are preparing interims. I know that this is because in Australia the tax year is from the 1st of July to the 30th of June. As my group is not an Australian company this might be why the date differs.

Balance sheets are important for businesses and users reading the financial statements as it allows them to know the current value of assets, the overall value of the firms business and whether they owe more money then what they have. Tracking company’s finances can help users and management identify potential issues before they turn into major problems. Other advantages of balance sheets are that they can be used to secure loans and other capital, they can be used to determine risk and return and can also provide helpful ratios.

Section 3.2 talks about business on the move and discusses the income statement, statement of changes in equity, statement of cash flow and the trust relationship in business. I enjoyed reading this section of the chapter, as it was useful and beneficial especially as part of our assignment is looking at a firm’s annual report, which includes these statements.

# Reference List:

China Ting Group. (2019). *Annnual Report 2018 .* Irasia.

China Ting Group. (2014). *China Ting Group Holdings Ltd.* Retrieved March 2020, from Company Profile: www.chinating.com.hk/company\_profile.html

China Ting Group Holdings Limited. (2020). *Profit warning for the year ended 31 December 2019 .* China: Irasia.