# Assessment 2

## Step 3

### Restating Financial Statements

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### Commentary

I put off starting the restating of my financial statements for way too long. I watched Maria’s video on restating the statement of changes in equity and at the end of it I felt like I still had no idea where to start. I remember feeling the same way during entering my financial statements in assessment one, before realising that not every statement is set out the same way for every firm. In Coca-Cola Amatil’s (CCA) statement of changes in equity (SOCIE) I had no other comprehensive income listed only total comprehensive income. I was confused whether I needed to separate the total CI into items. I asked on the Facebook group if anyone else had the same issue, Sharna commented that she was in the same situation. We checked out the exemplars on moodle, but again no-one in the same situation. So I put restating into the ‘too hard basket’ and looked at other areas of the assignment. I came back to it about a week later, re-watched the video and ‘click’ something just made sense in my brain! By the time the workshop started on Wednesday, my list of half a dozen questions was narrowed down to just one, do I use my restated opening balance in my SOCIE? Martin encouraged me to share my spreadsheet and helped me to answer my question. Although once I figured it out, it was most definitely the easiest to restate.

After conquering the SOCIE, I moved onto the balance sheet. I had watched the video, watched the lecture, read chapter 4 (multiple times) and read the footnotes to my firm’s statements, there were still many question marks next to my line items in my balance sheet or some that I had tentatively marked as operating or financial. After completing my SOCIE, I had renewed confidence in being able to restate the rest of the statements. By the end of the workshop I had allocated the rest of my items to either operating or financial activities through discussions with Martin and other students.

Allocating cash to operating and financial activities took some thought because my percentages were quite high at 16.9% in 2019, 19.7% in 2018, 21% in 2017 and 27.1% in 2016. I looked into my firms footnotes for cash and cash equivalents and determined I could still allocate the 1% to operating and the remainder to financial activities because their cash assets include cash on hand, cash at banks and short term deposits with a maturity of one year or less, these assets are considered to be repayable to CCA on demand.

Additionally, in 2019 CCA had $213.9 million and $291.1 million in 2018 in held to maturity investments in Papua New Guinea due to PNG government currency controls which limited the ability to use those funds elsewhere. This is included in the balance sheet at amortised cost. Due to the nature of the government bonds associated with held to maturity investments, I decided to include this item in my financial assets because it cannot readily be available for use in the operations of the business.

Derivatives was an item I saw occurring four times in my balance sheet, in current and non-current assets and also in current and non-current liabilities. This was one of the items I discussed with Martin at the workshops. I took a look at my footnotes for derivatives and discovered that they are related to cash flow hedges. I was still unsure whether to allocate to operating or financial. Reading further into my footnotes I was surprised to see that CCA has split the derivatives into debt and non-debt related. While this made my decision even tricker, Martin suggested I could split it across both operating and financial activities. The debt related derivatives are in relation to cross currency swaps on borrowings so I allocated those to financial activities. The non-debt related derivatives were concerned with foreign exchange and commodity contracts including sugar, aluminium and coffee, therefore I allocated these to operating activities. I found determining the allocation to both operating and financial activities difficult, however, I have shown my working at the bottom of my spreadsheet and the overall figures compare with the balance sheet and also the breakdown in the footnotes.

In 2018, CCA had $55.2 million allocated to assets held for sale, which included the discontinued operation of SPC, with other small amounts in 2019 and 2017. I considered allocating this to financial activities initially because it is money received from a sale of an asset and not to do with operations. On second thought, I considered that the asset is just for sale, not yet sold, so would still be considered an operating asset. Therefore allocating the item to operating activities.

Once I had assigned all my items in my balance sheet to operating or financial activities, I started to link my financial statements to my restated financial statements (I am loving that I am learning how to use excel too), after all the cells were linked I noticed my balance sheet didn’t balance. I performed the checks that Maria pointed out in the video, checked every line and I still couldn’t find where I had made a mistake. At this point I deleted the whole restated balance sheet and started again, get to the end and find it still doesn’t balance. I was determined to not have to link the whole statement again, I double checked everything and discovered a formula was entered wrong, after fixing the formula I had a balanced balance sheet. Hooray!

I was on a roll, my confidence grew that I could restate the income statement, which is known to be the most difficult statement to restate. I feel like my income statement was quite easy to allocate items to operating and financial activities. Again, I found the videos from Maria to be extremely helpful, being able to pause the video while I completed the step on my own statement was invaluable. I did not come across any difficulty while linking my original income statement to my restated income statement. I performed the checks to ensure that I had not made any errors.

The share of loss on a joint venture entity and also the share of profit from equity accounted investments slightly confused me. I was reluctant to automatically assign to operations activities. The loss in the joint venture was attributed to an investment made into the Australian Beer Company and also the introduction of the Exchange for Change recycling program in NSW. I cannot find information within the footnotes for the profit from equity accounted investments, though in 2018 CCA acquired a 45% interest in the Made Company so I would assign those amounts to that investment. However, in the whole picture of my firm’s financial statements, the amounts attributed to these items is small.

While I was unsure of what an actuarial valuation reserve was, a google search leads me to believe that it is related to insurance. It functions like a cash flow hedge to reduce the risk of a decrease in the value of investments that are insured. I opted to allocate the valuation reserve to operating activities because it is not a transaction occurring between equity or debt investors.

Attending the PASS session in week 7, Danielle showed Gyharn and I how to use a formula in excel to check the balancing of the restated statements which I have included in the working area of my spreadsheet. Completing the restatement of my financial statements has really achieved the goal of getting to know my firm, with the added bonus of learning how to restate statements. I feel more confident in knowing what the items in my statements represent and how they are used within CCA. I am looking forward to the next steps in understanding the true business and economic realities of Coca-Cola Amatil.

## Feedback