

# [Executive defined as the process of preparing](https://assignbuster.com/executive-defined-as-the-process-of-preparing/)

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ExecutiveSummaryThe key objective of this assignment is to analysethe annual financial report of Industria Reit ltd and comment on the same. Thereport will be recognizing different kind of equities which are depicted in theannual financial reports of Industria Reit and also access the reason for thechanges in the value of equity in the financial statements. The report will beproviding more emphasis on the treatment of taxes of the company and analysethe tax expenses of the company in contrast with figures of previous year. Thereport will then be concluding with how the company will be handling its taxesand also deal with the current and deferred tax expenses in the company.

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6 Reference. 7        IntroductionCorporateAccounting is defined as the process of preparing of financial reports of acompany in a systematic and presentable manner which can display the financialperformance of the particular in that particular year. The financial reports ofany organisation consist of a Consolidated statement of profit and loss, aconsolidated Balance sheet and a Consolidated Balance Sheet (Wang, C., 2014).

Themain purpose of a financial report is to show the financial performance of thecompany in a particular year. In other words a financial report is a summarisedreport which contains the financial data of a company. The financial reportsare prepared following certain established principles, standards andconventions. Overview of the Company              IndustriaReit is an Australian listed company which is engaged Real Estate investmentbusiness. Its headquarters is situated in Australia. The company has businessesin Melbourne, Sydney and Adelaide. The total valuation of the company as perrecent estimates is around $ 638 million (Industriareit.

com. au. 2018).

i.                   Equities of Industria Reit            Thestocks or securities which the company issues to the public in order to acquirecapital are shown as equities in the balance sheet of the company. These typesof equities may comprise of shares, bonds and other marketable securities (Koijen, Lustig and Van Nieuwerburgh 2017).            Asper the balance sheet of Industria Reit, the company has two items as shown asequity: 1.

Contributed Equity:  This means the equity capital of the companywhich is contributed by the public when shares are issued by the company. Thisis the capital which is contributed by the investors to the company asinvestments in shares. In other words, it is a figure which shows all the stockwhich the investors invest in during a particular year in the company.

The contributedequity of the company was $165674000 in 2015 which decreases to amount of $165096000in 2016 which shows that there is a decrease in contributed equity from thepast year. The reason for decrease in the contributed equity from last year isdue to the buyback programs which the business has undertaken. 2.     Retained Earnings: Retained earning refersto that part of profits which are kept aside by the business for eitherreinvesting in business or distribute it as profits. Accumulated losses referto a situation where the company does not have profits and has incurred lossover some years which has accumulated over the years.

In most practices inaccounts, retained earnings are used to set off accumulated losses of thecompany so that the balance sheet is cleared out of such accumulated losses. The company has accumulated losses of $384000 in 2015 and this becomes positivefigure and shows retained earnings of $10922000. ii.                 Tax Expenses of Industria Reit            Thecompany does have any current tax expenses in the year 2016 which was in the$74000 in 2015. The company follows the relevant tax policies which is asrequired by AASB. Deferred tax and current tax expenses combined together makesup the tax expense of the company. The deferred tax of Industria Reit which isas $ 78000 in 2015 and $ 234000 in 2016. iii.

Taxation Policy of Industria ReitThe companyfollows all the tax laws which are in force in the country. There are nocurrent tax expenses of the company for the present year 2016 and only has adeferred tax benefit of $ 234000. The current tax expenses of 2015 was $ 74000 andthe deferred tax was $ 78000.  Thecompany charges taxes at the rate of 30% as per the relevant rules of Australia. The company does not have any tax expenses for the current year as the profitwhich the company earns from ongoing operations amounts to $ 31027000 and thecompany also has control over a non taxable trust entities which has a loss of$ 31917000 which will be set off. After the set off is done the company has anet loss figure of $ 890000 (Sialm and Starks 2012). The tax rate is charged at the rate of 30%on the figure of $ 890000 which results in the tax benefit figure of $ 267000as shown in the notes of accounts in the financial statement of Industria Reit. iv.

Deferred Tax Treatments of IndustriaReit            Deferredtax asset and Deferred Tax liabilities are both related to the tax treatmentswhich is followed in the company. The deferred tax assets and deferred taxliabilities arises due to temporary difference between accounting treatmentsand tax treatments. The deferred tax liability of the business for the year2015 is $ 2069000 and the same has increased to $ 2303000 in 2016. One of theexamples to a situation where deferred tax assets or liabilities arise  is in treatment of depreciations which haveseparate treatment in accounts and tax as well (Wahab and Holland 2012). v.

Tax Assets/Liabilities ofIndustria Reit Ltd            Thereis no current tax asset or liability in the balance sheet as shown in thefinancial statements for the year 2016. However there was income taxrecoverable of $ 82000 in the year 2015. This figure is shown in the otherassets in the balance sheet for the year 2015 (Gallemore, Maydew and Thornock2014). The notes to accounts show that other assets contain an income taxrecoverable of $ 82000 for the year 2015.

vi.               Difference in Income TaxExpenses            Thecash flow statement shows that there is tax refund of $ 71000 in 2016 and thetax paid in 2015 was $ 437000. There is a difference between the figures shownin cash flow statement and figures shown in profit and loss account.  The system in which the company pays itstaxes can also be a reason for the difference in income tax expenses. Anotherreason may be that the income tax expense as shown in the current year alsocontains part of deferred tax assets which might have caused the variation. vii.

Tax Structure ofIndustria Reit            Thefinancial reports analysis of Industria Reit ltd shows that the company followsthe AASB 112 in order to calculate the tax of the company. The company has a deferredtax liabilities which can be used to adjust the taxes which are to be paid infuture. Deferred income tax assets are recognised in the financial statementsfor a variety of reasons which are mainly due to difference in treatment of taxand accounts or due to excessive tax paid or not paid in the previous years. Thecompany follows tax consolidation structure for its operating business and nontaxable trust. Conclusion            The main aim of this assignment is to analysis the annualfinancial report of Industria Reit. The assignment will be covering thedifferent types of equity which the company has shown in the balance sheet andalso cover the areas of how much tax the company pays and also if there is anydeferred tax or current tax assets in the financial report of the company.  The report also states the tax rate at whichthe company is charged with and the reasons as to why the tax paid as shown incash flow statement differs from the tax payments in the profit and lossstatement. ReferenceGallemore, J.

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