

Executive defined as the process of preparing

[Business](#), [Accounting](#)



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

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6 Reference. 7 **Introduction** Corporate Accounting is defined as the process of preparing of financial reports of a company in a systematic and presentable manner which can display the financial performance of the particular in that particular year. The financial reports of any organisation consist of a Consolidated statement of profit and loss, a consolidated Balance sheet and a Consolidated Balance Sheet (Wang, C., 2014).

The main purpose of a financial report is to show the financial performance of the company in a particular year. In other words a financial report is a

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summarised report which contains the financial data of a company. The financial reports are prepared following certain established principles, standards and conventions. Overview of the Company IndustriaReit is an Australian listed company which is engaged Real Estate investment business. Its headquarters is situated in Australia. The company has businesses in Melbourne, Sydney and Adelaide. The total valuation of the company as per recent estimates is around \$ 638 million (Industriareit.com.au. 2018).

i. Equities of Industria Reit The stocks or securities which the company issues to the public in order to acquire capital are shown as equities in the balance sheet of the company. These types of equities may comprise of shares, bonds and other marketable securities (Koijen, Lustig and Van Nieuwerburgh 2017). As per the balance sheet of Industria Reit, the company has two items as shown as equity: 1.

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

The contributed equity of the company was \$165674000 in 2015 which decreases to amount of \$165096000 in 2016 which shows that there is a decrease in contributed equity from the past year. The reason for decrease in the contributed equity from last year is due to the buyback programs which

the business has undertaken. 2. Retained Earnings: Retained earnings refer to that part of profits which are kept aside by the business for either reinvesting in business or distribute it as profits. Accumulated losses refer to a situation where the company does not have profits and has incurred losses over some years which has accumulated over the years.

In most practices in accounts, retained earnings are used to set off accumulated losses of the company so that the balance sheet is cleared out of such accumulated losses. The company has accumulated losses of \$384,000 in 2015 and this becomes a positive figure and shows retained earnings of \$1,092,200. ii. Tax Expenses of Industria Reit

The company does not have any current tax expenses in the year 2016 which was \$74,000 in 2015. The company follows the relevant tax policies which is as required by AASB. Deferred tax and current tax expenses combined together make up the tax expense of the company. The deferred tax of Industria Reit which is \$78,000 in 2015 and \$234,000 in 2016. iii.

Taxation Policy of Industria Reit The company follows all the tax laws which are in force in the country. There are no current tax expenses of the company for the present year 2016 and only has a deferred tax benefit of \$234,000. The current tax expenses of 2015 was \$74,000 and the deferred tax was \$78,000. The company 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 profit which the company earns from ongoing operations amounts to \$3,102,700 and the company also has control over a non-taxable trust entities which has a loss of \$3,191,700 which will be set off. After the

set off is done the company has a net 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 \$ 267000 as shown in the notes of accounts in the financial statement of Industria Reit. iv.

Deferred Tax Treatments of Industria Reit Deferred tax asset and
Deferred Tax liabilities are both related to the tax treatments which is followed in the company. The deferred tax assets and deferred tax liabilities arise due to temporary difference between accounting treatments and tax treatments. The deferred tax liability of the business for the year 2015 is \$ 2069000 and the same has increased to \$ 2303000 in 2016. One of the examples to a situation where deferred tax assets or liabilities arise is in treatment of depreciations which have separate treatment in accounts and tax as well (Wahab and Holland 2012). v.

Tax Assets/Liabilities of Industria Reit Ltd There is no current tax asset or liability in the balance sheet as shown in the financial statements for the year 2016. However there was income tax recoverable of \$ 82000 in the year 2015. This figure is shown in the other assets in the balance sheet for the year 2015 (Gallemore, Maydew and Thornock 2014). The notes to accounts show that other assets contain an income tax recoverable of \$ 82000 for the year 2015.

vi. Difference in Income Tax Expenses The cash flow statement shows that there is tax refund of \$ 71000 in 2016 and the tax paid in 2015 was \$ 437000. There is a difference between the figures shown in cash flow statement and figures shown in profit and loss account. The

system in which the company pays its taxes can also be a reason for the difference in income tax expenses. Another reason may be that the income tax expense as shown in the current year also contains part of deferred tax assets which might have caused the variation. vii.

Tax Structure of Industria Reit The financial reports analysis of Industria Reit Ltd shows that the company follows the AASB 112 in order to calculate the tax of the company. The company has a deferred tax liabilities which can be used to adjust the taxes which are to be paid in future. Deferred income tax assets are recognised in the financial statements for a variety of reasons which are mainly due to difference in treatment of tax and accounts or due to excessive tax paid or not paid in the previous years. The company follows tax consolidation structure for its operating business and non-taxable trust.

Conclusion The main aim of this assignment is to analyse the annual financial report of Industria Reit. The assignment will be covering the different types of equity which the company has shown in the balance sheet and also cover the areas of how much tax the company pays and also if there is any deferred tax or current tax assets in the financial report of the company. The report also states the tax rate at which the company is charged with and the reasons as to why the tax paid as shown in cash flow statement differs from the tax payments in the profit and loss statement.

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