

# [Andrew peller limited](https://assignbuster.com/andrew-peller-limited/)

[Finance](https://assignbuster.com/essay-subjects/finance/)

Andrew Peller Limited February 10, Andrew Peller Limited Cost Structure and Financial Projection This section of the report seeks to provide evidence either with or without assumptions used in determining the costs within the organization’s income statement that are likely to be fixed or variable. Consequently, the section will be describing the results of the financial forecast for the next year while referring to appendices where appropriate. It would be important to first note that the company produces and markets wine and wine related products.
The consolidated financial statements of the company have been prepared under the historical cost convention. The costs of goods sold, excluding amortization includes the costs of finished goods inventory sold during the year, inventory write-downs and revaluations of agricultural produce at fair value less costs to sell at the point of harvest. In this regards, the costs of goods sold excluding amortization are classified as variable costs.
The company carries property, plant and equipment at cost less accumulated amortization with the costs including the borrowing costs for the assets requiring a substantial period of time to become ready for use which are calculated on a straight-line basis in amounts sufficient to amortize the cost of building, vineyard infrastructure and machinery and equipment over their estimated useful lives. The fact that they vary with the useful life of the property, plant and equipment implies that they are classified as variable costs.
The company classifies financial instruments into different categories with the company choosing not to apply hedge accounting for any of its derivative financial instruments. Consequently, the company nets transactional costs relating to long-term debt against the carrying value of the liability which is then amortized over the expected life of the instrument using the effective interest method. These costs are classified as fixed costs.
Appendices