

# Research report milk company essay sample

[Business](#), [Company](#)



Executive summary The purpose of this report is to analyse The A2 Milk Company's 2017 annual report, specify in their area of Property, Plant and Equipment. Generally, this research report analyses in the interest of reviewing whether the disclosure of PPE from A2 Milk Company meets the requirements of IASB 116, especially the General purpose financial report and qualitative characteristics. Introduction In practice, financial reports are playing a crucial role in every companies or organizations.

The main reason is because it enables to attract the ultimate amounts of investors in order to fund the ultimate capitals for the companies' capital expenditure and also since all these financial reports are released to the public, in a big extent it has a certain effect on the company's reputation. Therefore, in purpose to conduct a perfect and accurate financial report such as annual report, it is very important to ensure that the report has met the objective of General purpose financial reporting and qualitative characteristics of useful financial information as outlined in the Conceptual Framework for Financial Reporting.

Therefore, in this report audiences will be able to understand the concept of GPFR and qualitative characteristics, also able to distinguish the extent of how much they have met the requirement of disclosure for PPE and how much they have satisfied the fundamental characteristics and the needs of primary users. General explanation of GPFR and CF Generally, financial report provides important and useful information to a group of users, specially to primary users which included prospective investors, lenders and other creditors.

Prospective investors need information to assess the company's potential for ultimate profitability and long-term success. Lenders like banks and other financial institutions need information to evaluate the company's ability to pay back upon maturity. Other creditors such as suppliers and trade creditors are interested in the company's liquidity which is the short-term obligations. The reason that they are classified as "primary users" is since none of them are able to get information directly from any of the reporting entities, the only thing they can rely on is general purpose financial report.

Therefore, GPFR is required to direct to those group of users. Financial reports are substantial to stakeholders in society. For that reason, it has to be relevant and faithfully represented, which are the two fundamental qualitative characteristics. Relevant information is able to let users make different and various decisions. Also, it has to be related to economic decisions or else it is useless. Besides, it needs to have predictable value and confirmatory value in order to be a piece of useful information.

Since the function of financial report is to provide information for users to do evaluation or assessment, which involve estimation or prediction.

Confirmatory value enables users to confirm their earlier predictions. Faithful representation is meaning that a piece of information needs to be 100% true, shows the actual true situation and figure, involves no frauds or any omitting and misstated. (IASB, 2010) Disclosure on PPE and IAS16 Figure 1 The A2 Milk Company's 2017 annual report, p70 In the big extent, The A2 Milk Company's 2017 annual report has met the disclosure requirement for PPE.

Generally, there are some rules that a financial report needs to meet while doing disclosure. It has to show its measurement basis, depreciation method, estimated useful life or equivalent depreciation ratio, gross carrying amount and accumulated depreciation, the beginning and ending balance of reconciliation of carrying amounts (IASB, 2010). So basically A2 milk has met all of the above requirements. As figure 1 shows, its calculation basis is stated at cost less accumulated depreciation and impairment. It used straight-line method and provided estimated useful life for each PPE items.

Gross carrying amount and accumulated depreciation are shown in figure 1, for example in 2017 the accumulated depreciation for office& computer is \$473000. Besides, it has indicated its reconciliation of carrying amount at beginning and end. At the end of 2016 (30 June 2016) A2 Milk had \$113, 000 carrying amount for office& computer and as the beginning of 2017 (1 July 2017). A2 Milk also did reveal its net foreign currency exchange differences, in 2017 for office& computer has \$1000 lost in its net foreign currency exchange differences.

However, it is unknown that whether there was a revaluation and impairment as not shown in the above figure (The A2 Milk Company's 2017 annual report, p70). Consequently, The A2 Milk Company's 2017 annual report has met the most disclosure requirement as per IAS16. Disclosure on PPE and fundamental and Enhancing Qualitative Characteristics The A2 Milk Company's disclosure on PPE should be relevant and faithfully represented. According to the Conceptual Framework, a relevant financial report has to

enable user to make different decision based on confirmatory value and predictable value (IASB, 2010).

Annual report of A2 Milk has met this requirement. For example, according to The A2 Milk Company (2017, p70) of the annual report, it stated the amount of depreciation for plant& equipment in 2017 is \$934000. It enables users to predict or estimate the future value of PPE. For the confirmatory value, A2 Milk had mostly achieved. The report shows that there is not a significant difference in deprecation section between 2016 and 2017 (The A2 Milk Company's 2017 annual report, p70). Therefore, it can be said that A2 Milk's report complied with the requirement of the relevant characteristic.

One more important characteristic is faithful representation. According to The A2 Milk Company (2017, p49) is the director's approval of the financial statement. He insisted that the report gave a true and fair view of the financial position of the group as at 30 June 2017 and the results of its operations and cash flows for the period ended on that date. The approval indicated that the determination of the financial position facilitated compliance of the financial statement with the Financial Markets Conduct Act 2013. At a result, A2 milk's annual report did comply with the requirement.

Besides, comparability is one of an important characteristic toward EQC. As users are able to compare reports in different period in favor to do better evaluation or prediction (IASB, 2010). According to The A2 Milk Company (2017, p70), it has provided information in 2016 and 2017, which totally met the requirement of EQC. Another EQC is timeliness. It refers to financial information needs to be presented to users in time and updated (IASB 2010).

It obviously has met the requirement as can see in p49, the report was done within 30 June 2017 and released to the public in time. Conclusion

In order to publish a useful and accurate financial report, the first and important aim is to provide ultimate useful information to primary users as they don't have direct access to the company obtaining information. Therefore, it is very vital to ensure the financial report meets the requirement of disclosure for PPE so as to meet the information needs of primary users. As the above discussed, The A2 Milk Company's 2017 annual report has mostly met the requirement of disclosure for PPE and also mostly satisfied the fundamental characteristic and comparability plus timeliness of the enhancing qualitative characteristics.

The report may enable primary users to make their own financial decision based the useful information they provided. Yet, although the annual report is mostly complied with the requirement of IASB, some flaws are still existing. The A2 Milk Company didn't disclose the revaluation for their PPE. It is no idea that whether the fact is they omitted or no revaluation processed. A2 Milk should also disclose the fact of revaluation even though they didn't conduct it. In case to give users a clear and transparent version of the report.

#### Reference

International Accounting Standard Board 2010, " The Conceptual Framework for Financial Reporting" IFRS, p9-11, London, viewed 28 September 2017, <  
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