

Mapleleaf gardens case study essay



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Maple Leaf Gardens Case Study Concepts: Ai) There are several different people that would use the financial statements of Maple Leaf Gardens. Investors, whether they are existing or potential, would use the financial statements to help make a decision on how much or if they want to invest in the company.

Lenders would use the statements to determine if they are going to lend financial assistance to the company. Government bodies review the statements to make sure they comply with all regulations and to make sure no ethical issues are present. Obviously the upper management uses the financial statements to gain a prospective on how the company is doing. Competitors may use the financial statements as a way to improve their own company.

Aii) The accrual basis of accounting provides a better measure of current performance because it takes into account the company's accomplishments and resource sacrifices during the period, no matter when the cash is received or paid. Accrual based accounting provides a more accurate picture of a company's current condition. Maple Leaf Gardens, Ltd uses the accrual based accounting method. Aiii) The term " going concern" typically means the company prepares it's financial statements with the intent of continuing to operate in the foreseeable future and that it will be able to realize assets and discharge liabilities in the normal course of operations. Since Maple Leaf Gardens is using the " going concern" assumption, their figures on the financial statements must reflect the value of the company as if it was to remain in business for the foreseeable future.

If the company was not using the “going concern” assumption then the figures would need to be at Net Realizable Value. Bi) Most public companies, such as Maple Leaf Gardens, typically report their financial performance, financial position, and cash flows quarterly and annually. Bii) I would speculate that Maple Leaf Gardens has a May 31 year end because it aligns closely with their business cycle and their customers. They are an entertainment business in Canada and so I would imagine that their fiscal year revolves around hockey season or close to it.

Biii) Increasing the frequency of reporting would positively affect the reliability of financial reports because there would be less room for error. With the increased reporting, companies would have more representational faithfulness meaning the numbers and descriptions match what really happened. They would also have verifiability in which several independent auditors could reach the same conclusion using the same methods. Biv) In order to enhance the relevance and reliability of its financial reporting, a company should communicate effectively with the accounting department and upper level managers. The company should also not change accounting policies from one year to the next.

The company should make sure that it does not lack bias or neutrality and that it can identify transactions and apply appropriate measurement techniques. This will benefit the managers and shareholders because they will not give false representation of the company. The shareholders will have a true understanding of where the company stands financially. Ci) Assets are defined as the probable future economic benefits obtained or controlled by a particular entity as a result of a past transaction or events. An example of an

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Asset from Maple Leaf Garden's financial statements is Cash and Interest bearing deposits Cii) Liabilities are defined as the probable future sacrifices of economic benefits arising from present obligations of a particular entity to transfer assets or provide services to other entities in the future as a result of past transactions or events. An example of a Liability from Maple Leaf Garden's financial statements is Income and Other taxes payable.

Ciii) Owner's Equity is defined as the residual interest in the assets of an entity that remains after deducting its liabilities. An example of Owner's Equity from Maple Leaf Garden's financial statements is Retained Earnings.

Civ) Investments by Owners is defined as increases in net assets of a particular enterprise resulting from transfers to it from other entities of something of value to obtain or increase ownership interest (or equity) in it. An example of Investments by Owners from Maple Leaf Garden's financial statements is Common Stock.

Cv) Distributions to Owners is defined as decreases in net assets of a particular enterprise resulting from transferring assets, rendering services, or incurring liabilities to owners. Distributions to owners decrease ownership interest or equity in an enterprise. An example of Distributions to Owners from Maple Leaf Garden's financial statements is Dividends. Cvi) Revenues are defined as inflows or other enhancements of assets of an entity or settlement of its liabilities (or a combination of both) during a period from delivering or producing goods, rendering services, or other activities that constitute the entity's ongoing major or central operations. An example of Revenues from Maple Leaf Garden's financial statements is Revenue from operations.

Cvii) Expenses are defined as outflows or other uses of assets or incurring of liabilities during a period from delivering or producing goods or rendering services, or carrying out other activities that constitute the entity's ongoing major or central operation. An example of Expenses from Maple Leaf Garden's financial statements is N. H. L.

expansion fees. Cviii) Gains are defined as increases in equity (net assets) from peripheral or incidental transactions of an entity and from all other transactions and other events and circumstances affecting the entity during a period except those that result from revenues or investments by owner. An example of Gains from Maple Leaf Garden's financial statements is the Gain from discontinued operations. Cix) Losses are defined as decreases in equity (net assets) from peripheral or incidental transactions of an entity and from all other transactions and other events and circumstances affecting the entity during a period except those that result from expenses or distributions to owners. There was no example of losses on the financial statements for Maple Leaf Gardens. Cx) Comprehensive Income is defined as the change in equity (net assets) of an entity during a period from transactions and other events and circumstances from non-owner sources.

It includes all changes in equity during a period except those resulting from investments by owners and distributions to owners. There was no Comprehensive Income example on the financial statements for Maple Leaf Gardens. Di) Cash is measured at fair value. Dii) Accounts receivable is measured at Net Realizable Value. Diii) Land is measured at current book value.

Div) National Hockey League Franchise is measured by the costs of purchase of the predecessor hockey club. Dv) Accounts Payable is measured at fair value. E) Due to the cost principle, not all elements are measured at their market value. For example, the franchise, National Hockey League is measured at what it cost to purchase. Fi) At the time of purchase, the Maple Leaf Gardens' shareholders are better off because the revenue has been recognized as earned. They have received the payment for the purchase as well.

Fii) Yes they should treat the cash receipt as revenue because the customer has purchased the season tickets in advance. Even though the games are not yet scheduled, they have received payment. Most companies would not have a return policy on season tickets, so even if the original customer did not use the tickets, I'm sure he or she would give them to a friend or let someone else use them. Once they have paid for them, they normally don't just let them go to waste. Maple Leaf Gardens recognizes revenue at the time they make the sale.

Gi) From an economic perspective, the Maple Leaf Gardens' shareholders are worse off because they just reduced their net income by \$1 million. Gii) No they should not treat the cash payment as an expense because per their notes to financial statements, they amortize the cash payment over the life of the employee contract. They should recognize each year's amortized amount as an expense once a year and as they record the expense, they should increase the amortized account so that it matches with the expense paid. Analysis: Hi) The net book value of Maple Leaf Gardens, Ltd is \$15, 034, 799 which represents the total value of the company's assets that

shareholders would theoretically receive if a company were liquidated. This number was realized by taking the total number of assets listed on the balance sheet and subtracting out intangible assets and liabilities.

Assets \$21, 630, 436. 00-Intangible Assets \$100, 001-Liabilities \$6, 495, 636= \$15, 034, 799. Hii) The accounts most likely to have fair market values that differ significantly from the book values recorded on the balance sheet would be the land, building, and equipment and the Franchises accounts. This difference is based on the Cost principle.