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CORPORATE AND FINANCIAL ACCOUNTING

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Executive summary

The primary purpose of this paper is to evaluate the financial statements of the four companies under taken regarding equity and debt over the past few years. The paper will help in evaluating the concepts of corporate regulation as well as examine the reporting of the managers for allowing to the disclosure facts voluntarily. The comparison will be between the equity positions and the debt profile of the selected companies. The role of AASB will be evaluated in the concern of au counting setting standards, and the paper will also evaluate the why IFRS is not taken as compulsory for the Australian accompanies.

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Introduction

The paper will help in reflecting the desired comparison of the debt and the equity position of fur selected firms as ADX Energy Limited, American Patriot Oil and Gas Limited, AGL Energy Limited and Armour Energy Limited. There has been a variation in the debt profile and the equity position of these companies as per their execution of business processes over the past few years. Moreover, the paper will help in discussing the changes in each of the items of equity for these companies over the years of their business operations.

Corporate regulation

There is the crucial need of a regulatory body in case of occurrence of risk regarding the market failures or different types of frauds which lays crucial impact on the interest of the public. In the case of a confined disclosure imposed by the concerned regulators reflects that it can be easily defended against the voluntary disclosures that are made or developed by the concede managers of a particular company.

It needs to be understood that the desired requirement of the regulators in different concerned situations. One of the vital reasons for the requirement of the regulators is to provide security and to safeguard the respective companies from several failures as well as to protect the desired interest of the public. For safeguarding the companies, it is important for the regulators to analyze the markets environments along with the entire industry in which the company is operating. Moreover, they should be competent specifically to provide effectively the concerned industry as well as the firm on specified matters(AASB, (2018). Moreover, it has been found that when the disclosure is absent, then the concerned market investors will assume that a firm is hiding something and then in response to this the share price of the firm will get down. The role of the regulator provides some sort of assurance to the concerned investors. Furthermore, a regulator may have the wide range of the disclosures for the interests of publics and to facilitate the overall grow of the firm and the company. There are some extra efforts from the gathering of these disclosures to the firm, but it helps in ensuring that each of the firms verifies their respective accounts and identifies that thee remains no inconsistencies or errors in the data that are being disclosed to the concerned investors.

The evaluation of the voluntary disclosures of the concerned financial facts by the respective managers of the organization often leads to the non-standardization of the information inside that

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confined sector and industry. This particular non-standardization may further lead to investing of more time for studying the market areas and the lesser amount of time in identifying the reasons for differences concerning the financial outcomes across various companies(ADX Energy, 2018). The manager within the firm executes work processes with huge responsibility mainly for the voluntary disclosures, and this helps in maintaining the financial operations and reporting of the financial data. Moreover, the voluntary disclosures will be provided in various other formats including different types of currencies and by utilizing several methods including calculations. An absence of having regulated set of the reporting standards, the free-flowing capital market cannot be gained in the present scenario. It will arise the difficulty for the investors to compare the separate firms to decide for the concerned investment.

Regulation is considered to be vital, and thus, the fact needs to be evaluated that even if a regulator remains independent and wants to execute their tasks effectively, then they are like incompetent and have the chances of getting failed in this particular scenario. Moreover, it has also been seen that the regulators are found to be little worried regarding their welfare instead of interstates of the public, and they are more concerned regarding their wealth along with the power. Thus, it can be said that the market regulators retain both negative and positives aspects but the positives aspects are much more than the negative ones.

Accounting standard setting

There are a set of rules to execute the accounting practices for various organizations in Australia. Australian Accounting Standards Board (AASB) is recognized as the government agency of Australia, and International Accounting Standard Board (IASB) is the independent organization which is based in London, UK, and these organization helps in evaluating the standard setting for accounting procedures(AGL Energy Limited, 2018). It has been seen that IASB is effectively engaged in developing the desired set of the higher value of the accounting standards which can be applied to various organizations operating on a global platform. For developing the superior value of the accounting standards, there has been an association of IASB with many of the national accounting standards like AASB. These organizations are mainly engaged to deliver the best measures for the execution of the accounting practices across different organizations to evaluate the effectiveness of the entire business procedures. There is another organization known as International Public Sector Accounting Standards Board (IPSASB) which is mainly funded by

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its concerned members to execute and enhance the professionalism in accounting measures and policies for various organizations. The motive of these organizations is to boost the overall growth of the firm by evaluating the reduction of the error and non-occurrence of any types of fraud or discrepancies within the concerned organization. AASB uses the work performed by IPSASB for the development of the measures in accounting standard for Australia.

Moreover, it is known that there exist few of the crucial challenges to adopt the single set of the accounting standards on the international platform and these issues vary among different countries as per the rules set by their respective governments. IASB is engaged in developing the best quality of the accounting standards, and it has been adopted by many of the well-known countries by modifying few of the areas as per the desired needs of their concerned country. It is not an international regulator for the execution of the accounting standard settings but is recognized as to be the desired body which prescribes required policies which can be or cannot be adopted by the concerned members for the benefit of the companies and people throughout the market segments.

Owner's equity

Description of items reported under a total equity

Issued capital

It represents the value of the share capital that is invested in a particular company by the respective owners. It needs to be understood that the issues capital is derived by the multiplication of the number of outstanding shares at the concerned closing gate having the nominal value per share.

Reserves

It denotes the profits retained by the company for a particular reason, or it is created in pursuance of a concerned statutory requirement. The reserves might include one or more share premium revaluation reserves, capital reserves, and capital redemption reserves. Furthermore, the creation of these reserves are for a particular cause, and they are treated by following the relevant accounting standard.

Retained earnings

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It effectively represents the aggregate of the gains or the losses collected by the firm by executing its respective business processes over the concerned years(Lins, Servaes, & Tamayo, 2017). The accumulated profits significantly increase the wealth of the shareholder, but the accumulated losses erode the wealth of the shareholder over the definite period.

Variance analysis of owner's equity

All amounts in M\$

Particulars	ADX Energy Ltd.				AGL Energy Ltd.				American Patriot Oil and Gas Limited				Armour Energy Limited			
	2017	2016	2015	2014	2017	2016	2015	2014	2017	2016	2015	2014	2017	2016	2015	2014
Issued capital	68.08	65.86	64.16	64.16	6,223.00	6,696.00	6,696.00	5,437.00	17.98	17.92	12.21	4.41	91.30	87.44	83.88	83.71
Reserves	6.25	5.96	5.96	5.61	16.00	-13.00	-56.00	-98.00	1.14	1.33	1.36	0.03	5.19	-0.64	0.57	1.52
Retained earnings	-73.26	-71.09	-69.17	-67.48	1,335.00	1,243.00	2,175.00	2,249.00	-14.32	8.22	-6.01	-2.29	-47.44	-35.96	-17.09	10.52
Total equity	1.07	0.73	0.95	2.29	7,574.00	7,926.00	8,815.00	7,588.00	4.79	27.47	7.55	2.15	49.05	50.83	67.36	95.75

All amounts in M\$

Changes	ADX Energy Ltd.				AGL Energy Ltd.				American Patriot Oil and Gas Limited				Armour Energy Limited			
	2017	2016	2015	2014	2017	2016	2015	2014	2017	2016	2015	2014	2017	2016	2015	2014
Issued capital	2.22	1.70	-	NA	-473.00	-	1,259.00	NA	0.06	5.71	7.80	NA	3.87	3.55	0.17	NA
% change	3.38%	2.58%	0.00%	NA	-7.06%	0.00%	23.16%	NA	0.33%	46.76%	176.86%	NA	4.42%	4.24%	0.20%	NA
Reserves	0.29	-0.00	0.35	NA	29.00	43.00	42.00	NA	-0.20	-0.02	1.33	NA	5.83	-1.21	-0.95	NA
% change	4.82%	-0.01%	6.30%	NA	-223.08%	-76.79%	-42.86%	NA	-14.84%	-1.67%	4360.08%	NA	-912.66%	-211.64%	-62.38%	NA
Retained earnings	-2.17	-1.91	-1.70	NA	92.00	-932.00	-74.00	NA	-22.54	14.23	-3.72	NA	-11.47	-18.87	-27.61	NA
% change	3.05%	2.77%	2.51%	NA	7.40%	-42.85%	-3.29%	NA	-274.32%	-236.67%	162.48%	NA	31.91%	110.44%	-262.53%	NA

Issued capital

The case of ADX Energy Ltd. the capital that was issued remained the same between the years 2014 to 2015 but it too little changes in the year 2016 concerning the issue of share capital amounting to the M\$ 1.80 lesser transaction costs of M\$ 0.12 and thus, It is noted that there has been an increase in the equity of the owner by M\$ 1.70. Moreover, the issued capital has received an increase of M\$ 2.22 for the year 2017. When compared to the issued capital of 2016, the issued capital share amounts to M\$ 2.40 lesser transaction costs of nearly M\$ 0.16, and thus, it effectively represents the desired increase in the hare capital by M\$ 2.22.

Moving to the other company, AGL Energy Ltd there has been a significant increase in the issued share capital by M\$ 1,259 and this is recognized as the on account the issue of sharing the capital amounting towardsM\$ 1,275 lesser transaction costs of M\$ 22 (AGL Energy Limited, 2018). When comparing the issued capital gain in 2015 and 2016, it was found to be the same.

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On the other hand, there has been the buy backing of the shares during the year 2017 which amounts to be M\$ 473 and has effectively resulted in the decrease of the share capital by that concerned amount at the end of 2017 on comparing with that of 2016.

The case of the American Patriot Oil and Gas Limited reveals the desired fact that there have been few of the crucial issues related to the ordinary shares concerning the preceding four years that has helped in increasing the total value of the share capital that was issued (American patriot oil and gas limited, 2018). In the year 2015, one of the issue regarding the shares was worth M\$ 7.80 and this particular amount was M\$ 5.71 in the year 2016 and then it was M\$ 0.06 for the year 2017.

The case of Armour Energy Limited reveals that there has also been an increase in the issued share capital in 2015 by M\$ 0.17 that remains on account of the issue of the capital share to the concerned owners (Armour Energy Limited, 2018). The issues regarding the share capital in each of the respective years along with the net fusion in the equity being the M\$ 3.55 and M\$ 3.87 for the 2016 and 2017 respectively.

Reserves

For ADX Energy, the reserves increased by M\$ 0.35 in the year 2015 and it records a little dip in 2016 but finally, in 2017 it was increased to M\$ 0.35 in 0.29, and that is on account of the share-based payments. These payments were made amounting to M\$ 0.0.30 lesser and other losses of M\$ 0.01 (Balakrishnan, Watts, & Zuo, 2016).

For AGL Energy, the reserves that were increased by M\$ 42 between 2014 and 2015. The total increase in the reserves was M\$ 35, and the left variance of M\$ 8 was for the non-controlling interests groups. In 2017, the inclusion of other income amounting to M\$ 40 increased the reserves balance.

For American patriot oil and gas limited, there was the increase of M\$ 1.33 in 2015, and during 2017, the other income of M\$ 0.20 was effectively included in the reserves balance.

For Armour Energy Limited, the reserves balance decreased in 2015 by M\$ 0.95 but in 2017 it has increased by M\$ 5.83 on account of the value of conversion rights and the net costa amounts to M\$ 2.0 and the share-based payment to M\$ 0.83.

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Retained earnings

It effectively represented the sum of the gains or the losses earned by the concerned companies by executing its business processes over the years (Beatty, & Liao, 2014). The collection of the profits increased shareholder's wealth, and the losses decrease the wealth over the definite period. Moreover, the changes in the retained earning potential balances for all of the respective firms for all the consecutive years represented the gains or the losses for that concerned year.

Debt profile

All amounts in M\$

Particulars	ADX Energy Ltd.				AGL Energy Ltd.			
	2017	2016	2015	2014	2017	2016	2015	2014
Total equity	1.07	0.73	0.95	2.29	7,574.00	7,926.00	8,815.00	7,588.00
Total debt	-	-	-	-	3,346.00	3,108.00	899.00	151.00
Debt equity ratio	-	-	-	-	0.44	0.39	0.10	0.02
Total assets	2.00	1.15	1.13	2.96	14,458.00	14,604.00	15,833.00	14,143.00
Debt to total assets	-	-	-	-	0.23	0.21	0.06	0.01

All amounts in M\$

Particulars	American Patriot Oil and Gas Limited				Armour Energy Limited			
	2017	2016	2015	2014	2017	2016	2015	2014
Total equity	4.79	27.47	7.55	2.15	49.05	50.83	67.36	95.75
Total debt	-	-	-	-	2.06	12.87	-	-
Debt equity ratio	-	-	-	-	0.04	0.25	-	-
Total assets	4.97	11.23	7.77	3.28	91.70	77.80	69.51	75.40
Debt to total assets	-	-	-	-	0.02	0.17	-	-

Two of the firms such as ADX Energy Limited and American Patriot Oil and Gas Limited do not have the eternal borrowings in any of the preceding years. Therefore, these cannot be compared with the others as they do not have the debt profile. It needs to be understood that if the ratio is lower than it is better. The results also reveal that AGL enjoys the trading on equity more as compared with the Armour.

Conclusion

The paper effectively concludes that the companies are in different stage of their life cycle and the variation area in their sizes. Finally, it is concluded that AGL Energy is found to be the Biggest and more reliable firms regarding the equity as well as components of debt in comparison with the four other companies.

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