

# Task 1: Annual Reports (Application)

## Commentary on candidate evidence

The evidence for these candidates has achieved the following marks.  
Component.

### Candidate A evidence

Another focus on employees is a thank you letter by the chairman. It opens with “special companies are made special with extraordinary people” with extraordinary people referring to the employees who make the company what it is today and the smooth operations that comes and the excellent customer service that the business provides. This shows the company giving out appreciation where it is deserved for the work that the postmen and women do to keep the customers choosing the company to deliver an effective service.

### Candidate A commentary

The response shown received **0 marks**. The candidate failed to address the key point of this area of the project, which is to analyse the usefulness of information contained within an annual report to a specific stakeholder. The candidate makes a general point about the letter demonstrating appreciation but fails to link the relevance or importance of this to the stakeholder in question, ie the employee.

### Candidate B evidence

In the group financial highlights, on page 6, it says there is an, “order backlog of £41.2bn”<sup>4</sup>. An order backlog is the total number of orders that have yet to be completed or shipped. This is a crucial piece of information for employees as this gives them a positive view of the future and reassures them that the business has orders coming in and so will continue trading. <sup>1 mark</sup> ✓ The report comments on the reward schemes for employees, which recognizes both team and individual achievement.<sup>8</sup> Awarding employees for hard work and success will motivate them to improve and do their jobs to the best of their ability. When employees read this information in the annual report it will give them an incentive to keep working to the expected standard and that if they do they will be rewarded. Therefore, by mentioning the reward scheme it will give employees the motivation to work hard for the company.

### Candidate B commentary

The response shown received **1 mark**. The candidate correctly cited evidence from the report and linked this to a legitimate concern which the stakeholder (employee) would have regarding job security. However, the remainder of this extract received no further marks. The candidate failed to address the key point of this area of the project, which is to analyse the usefulness of information contained within an annual report to a specific stakeholder. The candidate’s response here linked back to the impact on the employer rather than the employee.

## Candidate C evidence

The annual report states information on page 9 about the gender pay gap of currently paying the average female worker 12.3% less than its average male worker. The company have stated in the `Gender Pay Gap Report` that their gender pay gap rate is currently under the national average of 18.4%. To address this issue, they are planning to reduce the gender pay gap by at least 10% by 2020 and 25% by 2025 to reduce the risk of a divide being created between employees. This information is relevant for employees as they are being informed of the changes the company are trying to make to ensure all workers are being treated the same. As it is a public pledge, it makes the company more accountable to achieve this objective. However, the most recent results provided from the table of `Employee Diversity at 31 March 2018` shows there are a total of 58,119 female employees and 22,668 male employees. There are 49 female workers and 67 male workers which are senior managers within the company, but the ratio of female: male in senior management does not represent the ratio of all employees. This information shows there is overall more female workers within the company, so a larger percentage of employees are being paid less due to their gender. This information can help employees understand the current conditions they are working under which can influence their decision of wanting to look for another job. This creates the risk of the company being given a competitive disadvantage and a loss of staff motivation as a total of 35,451 employees are being paid less due to being female. This can anger and cause employees to complain and potentially take industrial action for the money they believe they deserve but are not receiving. This information can also influence an investor's decision of not wanting to invest into a company which does not operate ethically by paying employees of different genders equally. (d)

## Candidate C commentary

The response shown received **3 marks**. The candidate correctly cited evidence from the report and linked this to a legitimate issue which the stakeholder (employee) may have regarding his or her employment. Using statistical evidence to reinforce the point being made re: gender inequalities and the potential reputational damage/loss of employee motivation was particularly good in this case.

## Candidate D evidence

In their inspired people section the company states, they are committed to engaging, empowering and developing leadership, largely with the introduction of a new leadership programme. They plan to expand the support available for line managers, following a successful first year of targeted training.<sup>17</sup> This demonstrates the aid in place to move into leadership roles, therefore showing that not only are promotions available, but that once these are earned employees will be helped in their leadership role. This would encourage employees who want to be competent in their job to keep working at the company, as they see they will be assisted.

In the CEO's letter he gives his thanks to company employees and partners for their work in FY 2017/18 and especially for their support of him in his first year as CEO.<sup>18</sup> This effectively conveys his thanks to employees for their efforts, showing that he values them. This would be useful for employees because they would feel that their Boss cares about the people who work for him, conveying a good working environment.

## Candidate D commentary

The response shown received **0 marks**. The candidate did attempt to make some links between the information in the report and the chosen stakeholder (employee) but was not successful because he or she confused competence with leadership/promotion ambitions. Additionally, the second point on the CEO letter of thanks was deemed to be too simplistic for Advanced Higher level. There appeared to be no acknowledgement of the scale of operation as the analysis came across as if the business in question was small in scale with a few employees.

# Task 2: International Accounting Standards (Application)

## Commentary on candidate evidence

The evidence for these candidates has achieved the following marks. Component.

### Candidate A evidence

IAS 7 requires that a statement of cash flows is stated how a company's cash changes during a period of time. My company has a consolidated statement of cash flows which relates back to the standard created in IAS 7. In this consolidated statement of cash flows, the company defined each profit and loss so it's easier for investors to find out where there money would go to. This means that they have obeyed the guidelines formatted by the IASB which states that every profit and loss must be shown in the statement of cash flows.<sup>22</sup>

### Candidate A commentary

The response shown received **0 marks**. The candidate failed to demonstrate an understanding of how the requirements of the standard had been applied by the chosen company.

### Candidate B evidence

Goodwill is shown in the first column of the table. It is important this is shown separately from the other type of intangible assets as it's covered under IAS 10 and not IAS 38. ✓ Excluding goodwill, the report separates the remaining intangible assets into the following four categories: software, development costs, programme and customer-related, and other. It allows the company to explain how they have treated each of the categories in turn. In this way they have demonstrated their compliance with IAS 38. ✓ More specifically, software is shown split between licensed acquired and development costs. All license costs are capitalised whereas, only certain development are capitalised with the remainder being expensed. ✓ (d)

### Candidate B commentary

The extract shown received **3 marks**. The candidate correctly cited evidence from the report and clearly linked this to the requirements of the standard being investigated.

### Candidate C evidence

IAS1 is applied on page 78 as the Consolidated Statement of Financial Position has been prepared. This statement shows the assets and liabilities that have been recorded for the year as they are broken down into categories of Non-Current Assets, Current Assets, Current Liabilities and Non-Current Liabilities to help reflect on the total amount of equity by following the layout respectively. This is helpful for the company as it shows the items of value that they own or lease for the year and the payables that they owe. Examples which are stated in this statement are Investment property and Derivative financial instruments. This is useful as the company are able to make decisions of what assets they can keep for a long period of time or will be better selling off. They can also decide if they need to buy more assets into the company or if they should pay their debts to their trade payables. The net assets for the year and the total equity are both equal of £2954.2m which shows that the IAS1 standard has been applied effectively as it reflects the difference between what the company owns and what they owe. This is effective as this shows that the statement balances and all entries are consistent. This information can be valuable to shareholders as they are being informed that the company is not going into liquidation as there is no negative figures within the statement.

### Candidate C commentary

The response shown received **2 marks**. The candidate correctly cited evidence from the report and clearly linked this to the requirements of the standard being investigated. However, the extract also includes areas where no marks were awarded. In this case the candidate moved away from the project requirements, choosing to analyse the importance of the information presented. This was extraneous to this section of the project.

### Candidate D evidence

IAS 16 states that depreciation costs must be spread over the asset's life. When calculating depreciation of property, plant and equipment the company uses the cost or deemed cost, less residual value, of the assets in equal annual instalments over their estimated useful lives.<sup>34</sup> This shows an application of IAS 16 to fairly allocate costs over their life span. The independent auditor reported the company's annual report to give a 'true and fair' view of their affairs.<sup>35</sup> This shows that the company have complied with IAS 16's requirements of how to properly treat plant, property and equipment. This means they have followed the proper depreciation practices to calculate the sums correctly and accurately. Resultantly stakeholders will have an accurate picture of company's assets due to their adherence to IAS 16. In line with IAS 16 in the company's Group Balance Sheet under assets they value property, plant and equipment at £313.6 million.<sup>36</sup> This shows the amount allocated to the 2018 financial statement, as required under IAS 16, void of any revenue manipulation.



### Candidate D commentary

The response shown received **2 marks**. The candidate correctly cited evidence from the report and clearly linked this to the requirements of the standard being investigated.