



**Written Assessment (15%)**

**Due 5pm 23<sup>rd</sup> September 2016**

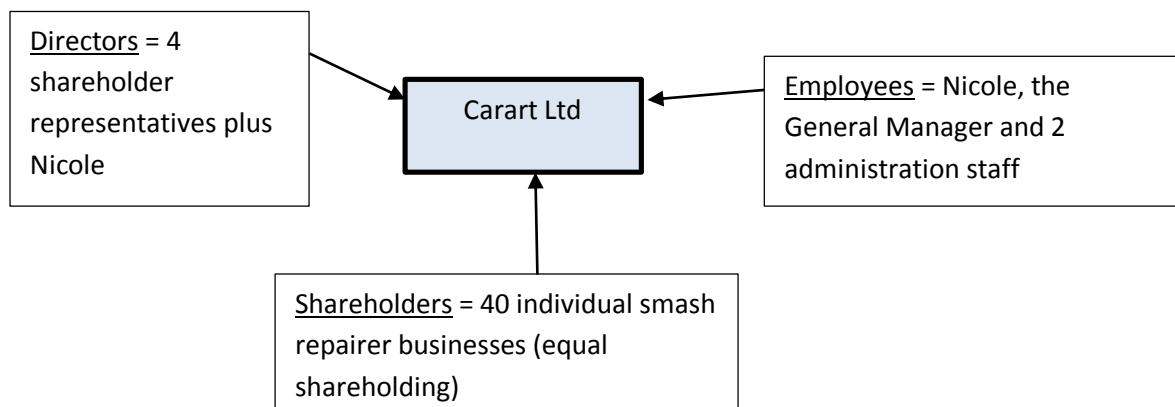
**(uploaded through Turnitin on the Blackboard site used by this unit)**

### **Background**

Carart Ltd is company established by the smash repair industry in Australia. Smash repairers fix and repair cars after they have been involved in an accident. Most of the revenue of the smash repair business comes from a small number of insurance companies and car paint is their biggest cost. The industry is very fragmented, comprising many small businesses across Australia. Therefore, the individual smash repairer businesses had very little bargaining power either with the insurance companies or with their suppliers. In order to combat this, Carart Ltd was established and has the following aims;

- 1) To act as a lobby group for the industry so that the individual smash repair business has a voice against suppliers, regulators and the insurance companies
- 2) To negotiate better prices for the smash repairers for their paint and other supplies which they could not do individually due to their size
- 3) To help build wealth for the individual smash repairer businesses through providing dividends from investments

The structure of Carart Ltd is as follows;



- The income of Carart Ltd comprises rebate income from the paint suppliers as well as investment income. The rebate income is calculated as a fixed % of all the paint that each of the shareholder businesses acquire from the main paint supplier and is paid every July based on the paint costs of the prior financial year.
- Carart Ltd has a policy of paying out dividends annually to the shareholders
- A copy of the draft projected financial statements for Carart Ltd is provided
- Carart Ltd has recently acquired a commercial rental property with bank funding. The building cost \$1m and they borrowed \$650000. As a result of the funding, the bank has imposed the following debt covenant;
  - Net profit margin of at least 30% (EBIT/gross income)

<b>Carart Ltd</b>			
<b>Projected Financial statements for the year ended 30th June 2016</b>			
<b>Assets</b>		<b>Income</b>	
Current Assets		Rental income	100000
Cash at Bank	250000	Rebates	750000
Rebates receivable	750000	Gross income	850000
<b>Total current assets</b>	<b>1000000</b>		
		<u>Less: Expenses</u>	
Non-current assets		Salaries	100000
Land & buildings	1000000	Rebates paid	0
<b>Total non-current assets</b>	<b>1000000</b>	Other expenses	210000
<b>Total assets</b>	<b>2000000</b>	Interest	45000
		Total expenses	355000
<u>Current Liabilities</u>			
Staff superannuation	25000	Net Profit	495000
Dividends payable	200000	Less: income tax	148500
Rebates payable	0	Net Profit after tax	346500
Total current liabilities	225000	Less: dividends	200000
<u>Non-current liabilities</u>		Net profit after tax and dividends	146500
Bank Loan	650000		
<b>Total Liabilities</b>	<b>875000</b>		
<u>Equity</u>			
Share capital	40000		
Retained earnings	1085000		
<b>Total Equity</b>	<b>1125000</b>		

### **Scenario and decision**

The board is having their final board meeting before 30 June 2016 and Nicole has advised them that one of the shareholders has contributed well over half of the rebate income for the year. The board is considering rewarding this shareholder by paying out a rebate to them of \$300,000 specifically as a bonus for their efforts. This would be accounted for as an additional expense of Carart Ltd but it would mean that it is fairer for that shareholder given their contribution.

The board is trying to decide whether or not they should commit to this before or after 30 June as they are conscious of the impact this payment would have on the other stakeholders of Carart Ltd, especially the bank.

Nicole has sought your advice as the external accountant to Carart Ltd.

### **REQUIRED**

**You are required to write a Letter of Advice to the Board, together with a transmittal email to Nicole outlining**

- 1) The financial impact that declaring the rebate before or after 30 June will have (calculations are required)
- 2) Whether or not this represents earnings management, and if it is good or bad earnings management? (academic references required)
- 3) Your recommendation as to which year the rebate should be committed to pre or post 30 June. (Hint: you may want to consider the AAA model discussed in the lecture)

*(The Letter of advice should be limited to 4 pages plus references)*

## **Required Format and additional information**

- There are two documents required to be submitted via turnitin
  - 1) The transmittal email and
  - 2) The letter of advice which includes references
- A guideline rubric/marking guide will be placed on Blackboard. Note that marks will be allocated for both referencing and using the correct formats for these written forms of communication.  
The allocation of the marks is in accordance with the rubric provided and can be broadly summarised as

	<b>Allocated by document type</b>	<b>Allocated by question</b>
Transmittal email	10%	
Letter of advice	90%	
Question 1) – Financial impact		20%
Question 2) – Earnings Management		50%
Question 3) – Recommendation & Justification		30%

- The written assessment should use a size 11 or 12 font. Left and right page margins should be at least 2 cm. Documents submitted must be properly formatted and checked for appropriate spelling and grammar. Documents submitted that are not formatted correctly will lose 10% automatically. This includes appropriate punctuation and ensuring a space after a full stop or comma or semi-colon or colon and inappropriate use of symbols.
- A separate cover page is not required. However, your Student Name and Student ID should be incorporated into the written communication eg in the address section and your letter should include page numbers.
- Chicago referencing style is required for in-text and end-text referencing. In-text and end-text references are required. Students need to ensure they discuss the points they think are the most important to ensure that the word limit is adhered to. Students who provide no in-text references will receive a grade of zero and may be reported for plagiarism. University policies and procedures for academic misconduct and plagiarism will be applied. Further information is available at [academicintegrity.curtin.edu.au](http://academicintegrity.curtin.edu.au).
- A minimum of 10 references should be provided
- Originality reports displaying percentage (%) of similarity can be viewed by students to ensure they have referenced where appropriate and not plagiarised. Students can resubmit their edited documents multiple times prior to the submission time. All similarities should be checked by students to ensure that where applicable the text is correctly referenced. A high degree of similarity and low degree of referencing will most likely result in a low grade.
- **NOTE: When you submit your letter to Turnitin for the first time you will receive the similarity report within 2-30 minutes. If you resubmit a second time and each time after that it may take 24 hours to view the similarity report.**

- **IMPORTANT** - The file name of the word document and the submission title in Turnitin needs to reflect your location and student ID (That is labelled correctly in BOTH places) for example;
  - BEN\_12345678 (for Bentley Students)
  - FO\_12345678 (for Fully Online Students)
  - Miri\_12345678 (for Miri Sarawak Campus Students)
  - MAU\_12345678 (for Mauritius Students)
  - SYD\_12345678 (for Sydney Students)
  - SING\_12345678 (for Singapore Students)
  - HK\_12345678 (for HK Students)
- Failure to comply with labelling instructions can result in a loss of 2 Marks.

## Additional Support Information

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Online grammar exercises and a calendar for support workshops can be found at the following websites:

- [http://business.curtin.edu.au/study/student\\_support/communication\\_skills\\_centre/online-grammar-exercise.cfm](http://business.curtin.edu.au/study/student_support/communication_skills_centre/online-grammar-exercise.cfm)
- [http://life.curtin.edu.au/learning-support/learning\\_support\\_calendar.htm](http://life.curtin.edu.au/learning-support/learning_support_calendar.htm)

Please also refer to the additional resources and templates provided on Blackboard and in E-reserve for writing letters of advice and transmittal emails.

## Turnitin for Students

### What is Turnitin?

Turnitin is an electronic text matching system that compares text in a student assignment against electronic text on the Internet, in published works, on commercial databases, and in assignments previously submitted to Turnitin by students in universities all over the world, including assignments obtained from internet sites that sell student papers.

The Turnitin system operates through a web site and is accessed using standard web browsers. Turnitin is a text-matching system and contrary to popular belief it is NOT a standalone plagiarism detection system. Turnitin provides an 'originality report' in which 'matched' text is underlined, colour coded, and linked to either the original source or a similar document on its database. Turnitin indicates the degree of text matching, and lecturers must still review the originality report and perhaps use other measures in order to determine if plagiarism has occurred.

### Why is Turnitin being used at Curtin?

Currently, Curtin degrees have prestige with employers and the wider community but this can be threatened by breaches of academic integrity (including plagiarism). Academic integrity is essential to the operation and reputation of Curtin courses.

Turnitin supports the implementation of Curtin University's mission and values and its policy on plagiarism. It is one of many resources that can help ensure that academic integrity is maintained: tutors have multiple ways of detecting plagiarism and are normally very familiar with the academic reference sources within their discipline. Turnitin quickly identifies the source of matching text and this assists in the decision making process, thereby helping support the maintenance of fair assessment standards for all students.

[http://academicintegrity.curtin.edu.au/overview/Turnitin\\_whatis.cfm](http://academicintegrity.curtin.edu.au/overview/Turnitin_whatis.cfm)