Introduction to Accounting for non-specialists
Hand, Isaaks & Sanderson - Erratum – Revised October 11th 2006

Corrections to First Edition
Although the text went through extensive checking we have missed some errors, and we apologise to all students and tutors for this. Although each error is by itself relatively minor we accept that they will be annoying to users of the book. Below are set out the corrections.

'Password-Protected' Answers to Review Questions and Numerical Problems
Our wording is unclear about the location of and access to the answers to some of the Review Questions and Numerical Problems. Our intention was to have problems that had answers in the book and some that were available *only* to tutors. Lecturers have told us that that is very important that the tutor does have access to some material that is not immediately available to the students. However, the wording in the Summary sections at the end of the chapters does not make clear that not ALL of the answers are available to them, and we apologise for that.
To be clear, the answers to all Tasks, and to Review Questions and Numerical Problems marked with a '?' are in the back of the book, while others are only available to tutors via the password-protected 'instructors' part of the website.

Chapter 2
Page 14 - Exhibit 2.3
The diagonal line is wrongly labelled as "Selling price is £0.35 per plate", and should read "Variable cost is £0.35 per plate".

Answer to NP 2.4 (Eden) for tutors only on website: under Cain's approach, price should be £124.93, not £124.95.

Chapter 3
Page 30 Illustration 3.1
The relevant cash flows should include the cost for the extra part-time staff (£2800) and the total relevant cash-flow becomes £46,260.

Page 35 – in grey box at top of page the figures 750 and 250 refer to 'rooms' and 'restaurant' respectively.
Page 35 – 9 lines from bottom of page should read '…might lead us **to** think ……'.

Chapter 4
Page 50 – under heading 'The financial views of a business' – line 3: take out the word 'are'. So should read: "Exhibit 4.2 is based upon three of the major accounting statements…".
Page 56 – in the REVENUE section of the quadrant shown on this page the number in brackets alongside Sales should be a (4) not a (1).

Page 254 - Task 4.6 answer
In the ASSETS section of the quadrant, Debtors should read:
11 + 125 – 117 19
In the LIABILITIES section of the quadrant, Shareholders' funds should be:
110 + 7 117 (not 110)
and Long-term loans should be:
23 + 15 38 (not 23)

Page 255
The Balance sheet in the grey box for Task 4.7 (County Brewery balance sheet) is shown twice, at the top and bottom of the page. Please ignore the top one.

NP 4.2 - answer on page 257
The first number in 'Stock' in the closing quadrant should be 4274 (not 4247)
Under 'Creditors' in the closing quadrant numbers should read: 1153 + 953 – 352 = 1754

Chapter 5

Page 76 LIFO, Illustration 5.4
The first blue-lined calculation should be 100 (NOT 20) x £1 + 20 x £1.25

Page 87 - NP 5.1
Opening stock for Year 3 should be 100 (not 300)

Page 261 – NP 5.1 answer
In Year 3, Purchases should be 1800 (not 1600), and Opening stock 100 (not 300)

Page 88 – NP 5.5 – John Franks
Third line of problem – change £25000 to £28000
In list of balances in grey box, Asset: bank should be £7800

Page 263 – NP 5.5 solution
Current assets, Bank should be 7 800 not 4 800
Current assets subtotal should be 12 800 not 9 800
Main total of net assets should be 49 800 not 46 800
Opening capital should be 28 000 not 25 000
Closing capital should be 55 000 not 52 000
Bottom line total should be 49 800 not 46 800

Pages 88 & 263 - solution to part 2 of NP 5.5
One view is that depreciation is only about allocating the part of original cost (that which will not be recovered when the asset is disposed of) to the expense part of the profit and loss account over the remaining useful life of the asset. However, if one is aware that costs of replacement assets are rising over time, a process of 'saving up' or putting aside money will need to be undertaken so that a new asset can be purchased and the business can continue to operate in the same way in future. Thus the cash planning aspect is separate from the accounting allocation. It would be perfectly possible to have a reasonable level of depreciation in the profit and loss account, and yet not have cash for replacement if cash has been invested in (e.g. stocks), or paid out as dividends. This is then an example of recognising that profit measures are different from cash measures.

Chapter 7
Page 110 – in paragraph under heading: "A builder's cash-flow statements", in line 4 change CSF to CFS.
Page 119 - NP 7.2
Right-hand column of figures should be headed Year 1 (not Year 2).

Chapter 8

Page 130: Asset turnover for Sainsbury's and Tesco should NOT be percentages. Take out the 'x 100' from the numerator of each calculation and state the answer as merely the number, e.g. 3.5% becomes 3.5.

Page 135 – Sainsbury's and Tesco: calculation of cash conversion days. Please restate the calculations as follows:

Days	**Sainsbury**	**Tesco**
Stock	17.37	14.74
Debtor	8.46	7.02
	25.83	21.76
Less creditor	44.90	46.62
Cash conversion days	(19.07)	(24.86)

Page 147 – NP 8.1 Trenton

The paragraph at the bottom of page 147 should read:

Trenton plc - missing numbers and ratios - Below is given:

- Completed balance sheet and income statement for the year 2001
- Target ratios for the year 2002.
- Partly completed balance sheet, income statement and fund flow statement for 2002.

You are required to

-Complete all missing information (figures to nearest £m) and the actual ratios for 2001

and add the following table of target ratios:

Trenton plc - actual (2001) and target (2002) ratios

	2001	2002
Return on shareholders funds		14.18%
Gross margin		30%
Net profit to sales		7.6%
Asset turnover		1.865
Current ratio		1.29
Quick ratio		0.56
Stock turnover		5
Debtor turnover		10
Creditor turnover		5
Interest Cover		20
Balance sheet gearing		3.6%
EPS		25p
Dividend per share		10p
Dividend yield		2.5%
P/E		16

NP 8.2 NKG - answer notes
The answers in website have included ratios which are already shown in the book thus can be ignored ….. Notes that could be included in a report would be for example:

- Declining or steady sales levels and gross margins
- Weak levels of net profits, and declining asset turnover
- Weak return on shareholders' funds
- Improved cash flow performance in yr 3 because of profit increase and reduced working capital levels A risky level of interest cover Volatile EPS and PE - weak share price (PE only 3.6)

Overall a company that is struggling to perform strongly in what may be a difficult market

Obviously tutors and students may wish to add other comments - for example the need for comparative information about similar companies

Pages 153-154: NP 8.4 -Tax and Dividend clarification
For non-UK students and tutors there is a need for further clarification of the tax and dividend position for Hayfor & Caxton. The tax and dividends in the Income Statements and Balance Sheets are different. This is a technical issue in that the figures of tax and dividend in the income statement represent the charge for the year, while the figure in the balance sheet represents the amount owed at the end of the year. Because of *timing* differences and payments on account in the UK tax system these numbers are not always identical.

Chapter 9
Page 187 - In table for products the header should be £s and not £000

Page 276 – solution to Task 9.3
In the third column the stepped fixed costs should be 4800 (not 5200) which changes the total fixed costs to 54900 and the profit to 154300.

Page 277 - solution to task 9.7
The figure of £180 for ‘actual’ under the ‘Cost of shirts sold’ should be in the right-hand column and not in the left-hand column.

Chapter 11
Page 227 – learning objectives first line should read:
After studying this chapter you should be able to *explain:*

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