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COURSE NAME:

**Doctorate Degree in Human Resource Management**

Assignment Title:

**( RESUBMISSION - ESSENTIALS OF FINANCE -AIU")**

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Introduction

This course was designed to help participants in creating excel spreadsheets budgets on their financial obligations and income earnings. To stimulate payroll situation and calculations. To promote business start-up fees and find out the setup and maintenance costs of the business. Also, locate a company's financial statements and calculate ratios depending on their situation.

Common Financial Terms

Accounts receivable: These are monies collected from customers, such as individuals and corporations, to another business in exchange for goods and services. They usually are in the form of credit and become due quickly. Most individuals in these corporations may be required to pay back the line of credit in a matter of a few days or if 12 months. Accounts payable is when a company incurs financial debt with suppliers and other creditors. It is further defined as the outstanding bills of the business. It is also shown on the balance sheet, accounts payable are recorded as current liabilities.

Notes Payable are referred to as short-term obligations evidenced by promissory notes. The proceeds of the letters are used to purchase current assets. Choi and Meek (2008)

Current Liabilities: includes salaries, interests, accounts payable, bank loans, bank overdrafts, and taxes. On the other hand, liabilities must be paid within one calendar year. Employees benefits can also be placed in the category of current liability. These include retirement plans, health insurance, and bonuses. Powers and Needles (2011)

Equity represents the net worth of a business. It is also known as stockholders’ equity; the financing can be put into three categories.

1. Stakeholders may purchase shares.
2. Business owners can invest their funds, inheritance mortgage refinancing and savings, etc.
3. The formula to measure equity is assets minus liabilities on a balance sheet.

**Financial Reports**

The balance sheet summarized the assets, liabilities, and shareholders’ equity. The main purpose is to show what the company owns and owes at a specific time. It also serves as a check and balance system. Assets = Liabilities + Shareholder's equity

The income statement, the financial document that demonstrates how much revenue and profit the company has generated within a set period. It is also referred to as the profit and loss statement or statement of revenue and expenses. The report is divided into two parts.

1. Operating activities
2. Non-operating activities.

After the stock market crash of 1929, annual reports became an integral component of corporate financial reporting. It is a yearly publication depicting an organization's operation and economic conditions. The front section of this report contains a graphical representation of the company’s performance. The latter part of the report possesses detailed financial results and operational data. Charles and Williams (2005)

Annual reports must be submitted every year regardless of the financial gains or losses. If the information is not offered or completed, the registered business name will become inactive via the Florida Department of State. And in my country, the Turks and Caicos Islands Financial Service Commission TCI. For the business to re-activate the industry, filing status will be required. The company will have t submit a reinstatement filing report and pay appropriate fees. Choi and Meek (2008)

**Financial Ratios**

Current ratio – Ratio of existing assets to current liabilities. Provides information about the firms' ability to meet its short-term financial obligations. Short-term creditors prefer a higher current ratio since it reduces their risks. The current balance equals existing assets plus current liabilities.

Quick Ratios, like current ratios, the purpose of quick ratios is to measure an organization's liquidity. However, unlike the current balances, the short ratios do not include inventory in the existing assets. The list may contain items that are difficult to liquidate. Powers and Needles (2011)

Formula

Quick Ratio= ( current assets – Inventory) + (current liabilities)

The debt ratio measures the extent to which the firm uses its long-term debt. It also indicates the long-term rather than the short-term solvency of an organization.

Formula : Debit Ratio = Total Debt / Total Assets

RETURN ON ASSETS

It measures how effectively the firms' assets are utilized to generate profits. Return on Assets is one of the profitability Ratios to determine the firm's viability. Return on equity measures the profits earned for each dollar invested in the company's stock. The shareholders use it to evaluate the success of the organization. Powers and Needles (2011)

Assets Turn–Over Ratios indicate how efficiently a firm uses its assets. Two common types of assets turn over ratios. These includes :

* Receivable Turnover – it measures how quickly a firm collects its accounts receivables.
* Inventory Turnover indicates the number of days’ worth of inventory on hand.

**The formula used to compute** :

* Receivables Turnover = Annual Credit sales/ Accounts receivables
* Inventory Turnover = Cost of Goods sold / average inventory

EMPLOYEES COMPENSATION PACKAGE

To compute an employee total compensation package, it must include the following listed below :

1. Basic salary
2. Health, Dental, and Vision
3. Disability/ Life Insurance
4. Tuition Reimbursement
5. 401-K Plan

**Basic Benefits**

1. Medical -Dental and Vision
2. Life Insurance Plans – Term and whole
3. Disability Plans- Short term and long-term policies

PAYROLL CALCULATIONS

Payroll terms

* Gross pay is the total or agreed-upon rate of income before any deductions are made.
* Overtime – Hours worked beyond the regular hours.
* Time and a half-rate of pay that is 1.5 times the regular rate for overtime work
* Deductions – amounts subtracted from the gross pay
* Net pay is the amount left when all deductions are taken out of the gross income, which is the amount found on the paycheck.

DIFFERENCES BETWEEN W-2 AND W-4

1. W-2 is an annual IRS form used to report taxable wages and withholding taxes**.**
2. W-4 is an allowance certificate used for the current federal income to be withheld from pay

**Deductions are as follows.**

* Federal Withholding Taxes
* State taxes
* Social Security Taxation – TCI NATIONAL INSURANCE BOARD AND NATIONAL HEALTH INSURANCE BOARD.
* Medicare

**Gross pay Calculations**

Multiply total hours worked by the hourly rate, 3 hours X 10 hours =340 per week

For example, Dorothy decided to work 42 hours. The gross pay would now come out to 40hoursx14=560 + 2hoursx 21=42=602

* 14hours x1.5 =21 time and half rate
* 14hrs x 2=28 double-time hourly rate
* Social Security Taxes, Multiply Gross Pay by the Rate
* 340 x 6.2% =21.08 if necessary round to the nearest

BUSINESS OWNERSHIP STRUCTURES

Types of ownership structures

1. Sole Proprietorship
2. Partnership
3. Limited Partnership
4. Limited Liability Company
5. Corporation – for profit
6. Non-Profit Corporation
7. Cooperation

**Sole Proprietorship**: a one-person business, legally, a sole proprietorship is inseparable from its owner. This means that the owner must report gains or losses on their taxes returns and is held personally liable for any business-related obligations.

**Partnership:** A business owned by two or more individuals

Limited Partnership – General partner controls the little partnership day to days operations

**Limited Liability Company:** Ownership structure that combines the attributes of both a corporation and partnership

**Corporations** – An independent legal tax entity, separate from the people who own control and manage it

**Non -profit Corporations**: corporations formed to carry out charitable, educational, religious, literary, or scientific purposes. A non – profit corporation solicits privates and public grants as well as individuals and company donations.

Non – Profit Corporations obtain tax exemptions from federal and state governments.

Cooperation is an organization owned and operated democratically by its members. It is also referred to as a collective group. In some countries or states, individuals must file paperwork with the secretary of the state office to have the cooperation formally recognized by the state.

BUDGET PREPARATIONS

**Importance of a financial plan :**

A financial plan is an orderly program for spending, saving, and investing your money earned.

It assists the organization in the following ways:

1. Prevent careless and wasteful spending.
2. Organized sources of income to maintain a plan of personal financial fitness
3. Achieve the most from income earned
4. Avoid money worries and financial problems by understanding proper savings, spending, and borrowing money methods.

How Money Grows

1. Money paid by the financial company to the savior for using their money is called – "Interests."
2. When the interest is computed on the original principal plus accumulated interest this is called – Compound Interests

POTENTIAL SOURCES OF INCOME

Here is a list of possible sources of income:

1. Salary after taxes
2. Earnings from investments
3. Alimony
4. Pension Plans
5. Government or private
6. Inheritance
7. Interests earned on savings

Some expenses below should be included when constructing a monthly Budget.

1. Rent / Mortgage
2. Utilities
3. Automobile payments
4. Insurance Automobile and life insurance
5. Gasoline
6. Car repairs and maintenance
7. Groceries
8. Personal care

**How to create a budget:**

1. The income should be higher than the expenses
2. Financial experts recommend saving at least 10% of a person's dependable income each pay period. An individual will have money for future expected or unexpected needs by keeping this amount.

BANK RECONCILIATION PROCESS

What is the definition?

1. Process of matching and comparing figures from accounting records against those presented on a bank statement
2. Balance of the accounting ledger should reconcile match to the balance of the bank statements
3. Discrepancies in cash balances exist as a possible result of :
4. Delayed in checks and deposit clearing the bank
5. Automatic Bank charges and credits have not been recorded or simply a human error in recording data
6. Automatic bank charges and credits have been recorded or simply a human error in recording data.

Deposits in transit – Deposits that have not yet been cleared on the bank statement compare the deposits listed on the bank statement with the bank deposits shown in the cash receipts journal. Make sure that last month's bank reconciliation has been reviewed for accuracy. In addition, outstanding checks, these cheques have not yet been cleared on the bank statements. In the cash disbursements journal, mark each cheque that has cleared the bank statement during the specified month. On the bank reconciliation, list all the cheques that have not cleared. Once again, investigate prior bank reconciliations and look for any outstanding cheques. Powers and Needles (2011)

Credit Management, in understanding the process, of credit record bureaus, every person who utilizes credit has a credit file. Each time credit has been used, information on the transaction will appear in the accumulated contents are transmitted electronically to one or more of the national credit bureau agencies. These credits bureaus issue credit reports about consumers. The credit report serves as an evaluator for either granting or denying credit.

**Getting started with credit begins with the following**:

1. It begins with opening a savings account putting money aside into this account.
2. Upon building up funds in the savings account, open up a checking account
3. Use parents' assistance in applying for minor credit obligations i-e department stored.
4. Take out a small loan from the credit union.
5. Apply for a Bank Credit Card check the application carefully and ask about the income limits

**Credit Rating analysis**

1. A – is referred to as an excellent credit rating. The customer must pay bills before the due date
2. B- Good credit rating. The customer must pay bills on the due date or within a 10 day grace period.
3. C- Fair Credit Rating – The customer usually pays all bills within the grace period, but occasionally takes longer.
4. Poor- Credit Rating. A person who has failed to pay back the debtor filed for bankruptcy.

FICO Credit Score

The score evaluated an individual's creditworthiness based upon the information contained in the persons' credit report and his/her debts – to income ratios.

* Highest FICO is – 850
* Lowest FICO is- 300

A score below 660 may equate to trouble obtaining credit or paying a higher interests rate for financing.

**Credit Reports Overview**

Information on the credit report stays on the file for 7 years. In case of bankruptcy, it stays on the file for 10 years. If denied credit an individual is entitled to a free credit report upon 30 days written request.

Credit Reports are divided into the following sections listed below,

1. Identification
2. Summary of information
3. Public Records
4. Inquiries
5. Trade

The inquiry sections show the number of inquires within the last 6 months.

How to Manage to credit:

1. Stay within your Budget
2. Pay all bills on time
3. Develop an excel spreadsheet to keep track of monthly obligations
4. Pay more than minimum payment only covers the interests
5. Avoid credit card add on programs
6. Pay off accounts with a higher interests rate first.
7. Do not open new credits simultaneously
8. Monitor to a free copy of credit report once a year.

CREDIT COMPUTATION

Simple Interests Formula:

**Simple interest is computed on the following:**

1. The amount borrowed only and without compounding
2. The simple interest method of calculating interest assumes one payment at the end of the loan period.
3. **The cost is based on 3 elements:**
4. Rate of interests
5. Amount borrowed
6. Amount of time for which the principal is borrowed**.**

**Interest = Principal x Rate x Time**

* **P**=500
* R=12%
* T = 4 months
* I =500x12x4/12
* I =500x12x1/3
* I=60 x . 33333

**Annual percentage Rate Formula**

The APR is the Percentage cost of credit yearly.

There are 2 ways to calculate :

APR tables

APR formula R = (2x4x1)/p(n+1)

**Finance Charged:**

A finance charge is an amount that the cardholder must pay in addition to the total due for purchases.

The amount is calculated using the interest rate and the purchase balance on the card creditors may calculate finance charges on open credit accounts using the following :

1. Adjusted Balance method
2. Previous Balance method
3. Averaged Daily Balance method.

Conclusions

This course has provided me with the ability to create excel spreadsheets for budget financial obligations and income earnings. Secondly, to stimulate payroll situations that will assist me as a manager in any organization. It aids me the skill in calculating employees' salaries for the business. The course has provided me with the skill to stimulate new business start-ups and with the ability to establish financial budgets in maintenance costs within the specified business. It also helps in locating the business financial statements and calculating ratios depending primarily on the present situation etc.

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**STATEMENT OF ORIGINALITY**

**Student Name:** Dexter Jermaine Parker

**COURSE NAME:** Doctor of Science Degree in Human Resource Management and Development AIU –

**SCHOOL:** Business and Economics

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This Course Work assignment is a result of my work. All academic sources used in this study are fully acknowledged and disclosed, in line with the MLA System Referencing.

**Student Signature Date: December 8th , 2021**

**Dexter Parker**