Q1:

Page:17- BALANCE SHEET

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | 2013 | 2014 |
| current ratio | CA/CL | 3.645375 | 1.356173 |
| NET PPE TO TA | NET PPE/TA | 0.160904 | 0.140839 |

WHERE

|  |  |  |
| --- | --- | --- |
|  | 2013 | 2014 |
| CA | 2,471.20 | 2,747.20 |
| CL | 677.9 | 2,025.70 |
| PPE |  |  |
| NET PPE | 1,229.00 | 2,014.30 |
| TA | 7,638.10 | 14,302.10 |

THE CURRENT Ratio was very good in 2013 but has decreased substantially in 2014 and this has put a question mark over the solvency of the firm. The net PPE to TA has slightly decreased in 2014 but has remained satisfactory.

Q2:

Page:18 statement of inocme

In all of the years the comprehensive income is lower than the net inocmes.this is primarily because of losses in foreign currency translation adjustments.

Q3:

Page:17 -BALANCE SHEET

Accounting Equation

Total Assets = Liability + shareholders equity

**2013:**7,638.1 = 3099.1 + 4,537.0

**2014:**14,302.1 = 9320.8 + 4,981.3

Q4:

Page:15

KPMG LLP is the independent auditor and the firm has issued an unqualified report for 2014.

Q5:

Page:24

STZ recognises revenue as and when the services are performed and goods are sent to the customer. It follows the accrual concept. Sales are recognized when title and risk of loss pass to the customer, which is generally when the product is shipped.

Shipping and handling costs, is included in the cost of products sold in income statement.

Yes .the company had significant customer risk. The allowance for doubtful accounts was $1.8 million and $1.9 million as of February 28,2014, and February 28, 2013, respectively.

Q6:

Page:

US sales accounts for the entire amount of revenue of the company.

Q7:

Page:

**2014:**

Allowance for doubtful debts $18,00,000

Accounts Receivables $18,00,000

(Recording credit losses)

**2013:**

Allowance for doubtful debts $19,00,000

Accounts Receivables $19,00,000

(Recording credit losses)

Q8:

Page:

There is no detailed statement of cash spent on capital expenditures made by the firm.

Q9: 35

Page:

|  |  |
| --- | --- |
| PPE | 2,939.00 |
| Accumulated depreciation | 924.7 |
| rate of depreciation | 31.46% |

The PPE would vanish from the books in approximately 3 years. But that does not mean these assets won’t have any economic value because they still would possess revenue generating property.

Q10:

Page:

Yes. the firm has charged and recognised impairment charges to goodwill at 278.7m in 2014. This impairment of goodwill in the Wine and Spirits segment consists of an impairment loss of $278.7 million associated with goodwill assigned tothe segment’s Canadian reporting unit.

Q11:

Page:28 and 40-41

The Company reviews its goodwill and indefinite lived intangible assets annually for impairment, or sooner, if events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Company uses January 1 as its annual impairment test measurement date. Impairment was done by the firm over their estimated useful lives and are subject to review for impairment in accordance with the FASB guidance for property, plant and equipment.

The firm has charged impairment losses in 2014 and also in the two immediately preceding years. The difference between the gross carrying amount and net carrying amount for each item presented is attributable to accumulated amortization. Amortization expense for intangible assets was $15.5 million, $7.2 million and $5.4 million for the years ended February 28, 2014, February 28, 2013, and February 29, 2012, respectively. Q12:

Page:41

|  |  |  |
| --- | --- | --- |
|  | 2013 | 2014 |
| trademark | 809.1 | 3,088.00 |

Q13:

Page: 27

Inventories are stated at the lower of cost which is calculated using the FIFO or market price. This method has not been changed for many years.

Q14:

Page:17

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | 2013 | 2014 |
| debt equity ratio | debt /equity | 1.145964 | 1.279445 |

THE DEBT AND EQUITY POSITION IS AS FOLLOWS:

|  |  |  |
| --- | --- | --- |
|  | 2013 | 2014 |
| DEBT | 3,277.80 | 6,373.30 |
| EQUITY | 2,860.30 | 4,981.30 |

Q15:

Page:

|  |  |  |
| --- | --- | --- |
|  | 2013 | 2014 |
| TAX | 128.60 | 259.2 |
| PBT | 516.4 | 2,202.30 |
| TAX RATE | 0.249032 | 0.117695 |

2014

Provision for income tax 128.60

Income tax expenses 128.60

(Provision for tax)

Income tax Expenses 128.60

Cash 128.60

(Being Tax paid)

Q16:

Page:50

|  |  |  |  |
| --- | --- | --- | --- |
|  | 2012 | 2013 | 2014 |
| deferred tax liabilities |  | 584.1 | 743 |

Deferred tax liabilities reflect the future income tax effects of temporary differences between theconsolidated financial statement carrying amounts of existing assets and liabilities and their respective tax bases and are measured using enacted tax rates that apply to taxable income. One of the items that has created a tax liability is that of Intangible assets.

Q17:

Page: 50

|  |  |  |  |
| --- | --- | --- | --- |
|  | 2012 | 2013 | 2014 |
| deferred tax asset |  | 125.7 | 90.4 |

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some or all of the deferred tax assets will not be realized. Based upon this assessment, management believes it is more likely than not that the Company will realize the benefits of these deductible differences, net of any valuation allowances.

Q18:

Page:

No as per the notes to the balance sheet and the income statement every possible disclosure has been made and no liability has been left unreported and unattended to.

Q19:

Page: 19

|  |  |  |
| --- | --- | --- |
|  | 2013 | 2014 |
| stock repurchased | 383 millions | - |

Q20:

Page: 19

STZ has about $2.3m common stocks of class A and about $.3m of class B shares. If the shares are issued by a firm generally class A shares have more voting rights and more often than not I would prefer class A shares, if both are being issued at the same price..

Q21:

Page:12-15

The chairman of the Board of directors and the Directors of the company and the Auditors f the firms are responsible for the preparation and the fairness of the financial statements. All these people are in a judiciary position with regard to the preparation and presentation of these statements which are mandatory for the firm to follow.

Q22:

Page:61-62

The company operates under three segments:

(i) Beer

(ii) Wine and Spirits and

(iii) Corporate Operations and Other.

Of the three divisions the wine and spirits has the largest contribution to sales. Its contribution to sales is over 40% of the total revenue.

|  |  |  |
| --- | --- | --- |
|  | Beer | wine and spirits |
| Net sales | 2,835.60 | 2,845.50 |
| operating income | 772.9 | 637.8 |
| operation margin% | 27.26% | 22.41% |

So in the end even if the Wine and spirit division has a higher contribution to sales the Beer division has a higher operating margin.

Q23:

Page: 59

Yes. In 2014,Southern Wine and Spirits is a customers which accounts for almost 18% of STZ’s total sales. In 2013 apart from Southern Wine and Spirits , Republic National Distributing Company also accounted for 15.6% of the total sales.Sales for the above customers are primarily reported within the Wine and Spirits segment.

Q24:

Page:18

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | 2013 | 2014 |
| ROE | Net income/Equity | 13.24% | 39.01% |

A popular measure of profitability is ROE. ROE unlike ROA measures the return to common shareholders after subtracting from revenues not only operating expenses (such as cost of goods sold, selling and administration expenses, and income taxes), but also the costs of financing debt and preferred stock that are senior to the common stock. The latter includes interest expense on debt and dividends on preferred stock (if any). Thus, ROE takes into consideration the combined effect of a company’s operating, investing, and financing decisions.

**Q25:**

Page:10, 64

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | 1st Qtr | 2nd Qtr | 3rd Qtr | 4th Qtr |
| net sales | 673.4 | 1,459.80 | 1,443.30 | 1,291.20 |
| net income | 256.1 | 577 | 609.7 | 548.9 |
| Gross Margin | 38.03% | 39.53% | 42.24% | 42.51% |

Yes. Seasonality affect the sales of firms various items.

Beer sales are typically highestduring the first and second quarters whereas wine and spirits sales are typically highest during the third quarter of our fiscal year on the back of holiday season.

**Q26:**

Page:27-28

Depreciation on the PPE is computed primarily using the straight-line method over the following estimated useful lives. Depreciation expense for 2013 and 2014 are as follows:

2013:817.9m

2014:924.7m

Q27:

Page: not available

The amount of goodwill impairment is 278.7m in 2014 and the best guess is that it would be higher in 2015 as the value of the goodwill and other intangible assets are expected to go down at a higher rate than what it is at current.

Q28:

Page:41

Amortization expense for intangible assets was $15.5 million in 2014. The Company did not incur any expenditure to acquire intangible assets during the years ended February 28, 2014, and February 28, 2013.

Q29:

Page:17,18 AND 45

|  |  |  |
| --- | --- | --- |
|  | **2014** |  |
| net receivable | 626.2 |  |
| Allowance for doubtful accounts | 1.8 |  |
| gross receivables | 628 |  |
| NET SALES | 4,867.70 |  |
| Days Sales Outstanding | 46.9550301 | DAYS |
| (AR/CREDIT SALE\*365) |  |  |

Allowance for bad and doubtful debt is required to adjust for sales which are not likely to be realised and the firm has adjusted it as a % of sales.

Q30:

Page:17

|  |  |  |
| --- | --- | --- |
|  | **2014** |  |
| Inventories | 1743.8 |  |
| COGS | 2,876.00 |  |
| days of inventories held | 221.3098053 | DAYS |
| (INVENTORY/COST OF SALES\*365) |  |  |

THE FIRM follows FIFO method of valuing inventory. Currently the firm has no LIFO reserve.**The LIFO reserve is a** [contra inventory account](http://www.accountingcoach.com/blog/what-is-a-contra-inventory-account) **that will reflect the difference between the FIFO cost and LIFO cost of its inventory**. The disclosure of the LIFO reserve allows you to better compare the profits and ratios of a company using LIFO with the profits and ratios of a company using FIFO. But showing a LIFO reserve is not mandatory.

Q31:

Page:17

|  |  |
| --- | --- |
|  | **2014** |
| LONG-TERM DEBT, less current maturities. | 6,373.30 |
| current maturities. | 590 |
| Total Debt | 6,963.30 |

These are all issued at par as the fiancé cost does not include any discount or premium being amortised by the firm.

Q32:

Page: 53

The minimumlease payments for the Company’s operating leases are recognized on a straight-line basis over the minimum leaseterm.

The company has paid an amount of $60.4 million for the year 2014. The expected expenses for the operating lease for 2015 is estimated to be $51.1million.if the lease payments are capitalised the amount of Debt would not increase as the amount of lease is constantly decreasing.

Q33:

Page:17-18

STZ’s tax rate for 2014 is 24.90%.

Taxable income is less than economic profit when firms can exempt some income from tax, write off the cost of assets faster than their actual decline in value, or claim tax credits for certain business purchases. When taxable income is less than economic profit, a firm’s effective tax rate is less than its statutory rate.

Q34:

Page:17-18

|  |  |  |
| --- | --- | --- |
|  | **2013** | **2014** |
| EPS | 2.15 | 10.45 |
| Diluted EPS | 2.04 | 9.83 |

The total no of shares outstanding for a firm would keep on changing over a period of time because of issue of new shares and retiring of shares and things such as shares being issued in exchange of employee’s stock option. The weighted avg no of shares outstanding takes into consideration all these changes which can happen over a period of time. The diluted EPS is generally lower than Basic EPS as the weighted avg no of share are generally higher thn actual shares outstanding. In the calculation of EPS , the profit which belongs to the use of share of profit includable in non-controlling shares.