



# *Gem Star*

## *Reporting To Management*

*By: Giang Nguyen*

Hi, my name is Giang Nguyen and this is my financial report for Gemstar Productions.

Gemstar Productions, Inc.	
Balance Sheet	
As of April 24, 2019	
	Total
<b>ASSETS</b>	
<b>Current Assets</b>	
Bank Accounts	
Cash	50,700.00
Total Bank Accounts	\$ 50,700.00
Accounts Receivable	
Accounts Receivable (A/R)	0.00
Total Accounts Receivable	\$ 0.00
Other Current Assets	
Deposit at Vendor	500.00
Supplies Inventory	1,333.33
Total Other Current Assets	\$ 1,833.33
<b>Total Current Assets</b>	<b>\$ 52,533.33</b>
<b>Fixed Assets</b>	
Accumulated Depreciation	-296.88
Vehicles	14,250.00
<b>Total Fixed Assets</b>	<b>\$ 13,953.12</b>
<b>TOTAL ASSETS</b>	<b>\$ 66,486.45</b>
<b>LIABILITIES AND EQUITY</b>	
<b>Liabilities</b>	
<b>Current Liabilities</b>	
Accounts Payable	
Accounts Payable (A/P)	1,420.00
Total Accounts Payable	\$ 1,420.00
Other Current Liabilities	
Loan Payable	40,000.00
Total Other Current Liabilities	\$ 40,000.00
Total Current Liabilities	\$ 41,420.00
<b>Long-Term Liabilities</b>	
Interest Payable	233.33
Total Long-Term Liabilities	\$ 233.33
<b>Total Liabilities</b>	<b>\$ 41,653.33</b>
<b>Equity</b>	
<b>Common Stock</b>	20,000.00
<b>Retained Earnings</b>	
Net Income	4,833.12
<b>Total Equity</b>	<b>\$ 24,833.12</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 66,486.45</b>

Wednesday, Apr 24, 2019 01:45:42 AM GMT-7 - Accrual Basis

I have included many calculations in order to watch over the financial health of the company.

Gemstar's current ratio, which is the comparison of current assets to current liabilities is at 3.6. This shows that Gemstar's assets are not greater than it's liabilities. When the current ratio is higher, the more capable the company is of paying its obligations. Just because the company have a high ratio does not mean the company is in a state of financial well-being for it might mean that the company is not using all of its current assets efficiently, is not securing financing well as you thought, or is not managing its working capital well as the company anticipated.

Gemstar's Working Capital is at 3.6. This means that the company has the ability to pay for our current liabilities with our current assets. Gemstar's Working Capital of 3.6 shows that we have a good chance of shot-term liquidity.

Gemstar's debt to assets, measures the portion of business assets that are financed through debt, is at high 63%. Which means that our debtor's supplied about 63 cents for every dollar of our company's assets.

I also included the calculation of return to assets which lets me be able to see the ability the company has to utilize assets to gain profit. Gemstar's return to assets is at 7.2%.

I have also included the calculation of return to equity which calculates the percentage that tells me what the stockholders rate of return is. Gemstar's return to equity is at 19.46%. When compared to the financial statement of Bright Star's Production which is also an event company our return to equity is at 19.46% while Bright Star's Production was at 16.73%. Which means, Gemstar out performed Bright Star's Production.

Gemstar Productions, Inc.	
Profit and Loss	
January 1 - April 11, 2019	
	<b>Total</b>
<b>Income</b>	
Sales	11,400.00
<b>Total Income</b>	<b>\$ 11,400.00</b>
<b>Gross Profit</b>	<b>\$ 11,400.00</b>
<b>Expenses</b>	
Depreciation Expense	296.88
Equipment Rental Expense	750.00
Insurance	1,200.00
Interest Expense	233.33
Office Supplies	666.67
Uncategorized Expense	3,200.00
Utilities	220.00
<b>Total Expenses</b>	<b>\$ 6,566.88</b>
<b>Net Income</b>	<b>\$ 4,833.12</b>
Thursday, Apr 11, 2019 07:40:49 AM GMT-7 - Accrual Basis	

## Profit and Loss Statement

Gemstar made a total amount of income of \$11,400 in event revenue which was our total income and gross profit for this month. The company had many expenses which included, depreciation expense, equipment rental expense, insurance, interest paid which cover Gemstar company's loan, office supplies and software, you will even notice that our payroll has an unfavorable variance due to the addition of staff member needed for various events and lastly utilities expense which cover the company's infrastructure, electricity, etc. All of the total expense added up to be \$6,566.88. I did so by subtracting the total gross profit and our total expenses we get our net operating income which will let us determine all real estate investments that generate our income. This will leave us with the total company's earnings; our net income at \$4,833.12. For now the company is not as profitable as we want it to be, but also considering that next month our payroll will not be as high this will give the company a chance to become financially stable.

Gemstar Productions, Inc.								
Budget vs. Actuals: GEMSTAR BUDGET - FY19 P&L								
April 2019								
	Apr 2019				Total			
	Actual	Budget	over Budget	% of Budget	Actual	Budget	over Budget	% of Budget
<b>Income</b>								
Event Revenue		13,000.00	-13,000.00	0.00%	0.00	13,000.00	-13,000.00	0.00%
Sales	11,400.00		11,400.00		11,400.00	0.00	11,400.00	
<b>Total Income</b>	<b>\$ 11,400.00</b>	<b>\$ 13,000.00</b>	<b>-\$ 1,600.00</b>	<b>87.69%</b>	<b>\$ 11,400.00</b>	<b>\$ 13,000.00</b>	<b>-\$ 1,600.00</b>	<b>87.69%</b>
<b>Gross Profit</b>	<b>\$ 11,400.00</b>	<b>\$ 13,000.00</b>	<b>-\$ 1,600.00</b>	<b>87.69%</b>	<b>\$ 11,400.00</b>	<b>\$ 13,000.00</b>	<b>-\$ 1,600.00</b>	<b>87.69%</b>
<b>Expenses</b>								
Depreciation Expense	296.88	500.00	-203.12	59.38%	296.88	500.00	-203.12	59.38%
Equipment Rental Expense	750.00	1,000.00	-250.00	75.00%	750.00	1,000.00	-250.00	75.00%
Insurance	1,200.00	1,400.00	-200.00	85.71%	1,200.00	1,400.00	-200.00	85.71%
Interest Expense	233.33		233.33		233.33	0.00	233.33	
Interest Paid		400.00	-400.00	0.00%	0.00	400.00	-400.00	0.00%
Office Supplies	666.67		666.67		666.67	0.00	666.67	
Office Supplies & Software		800.00	-800.00	0.00%	0.00	800.00	-800.00	0.00%
Payroll Expenses		4,000.00	-4,000.00	0.00%	0.00	4,000.00	-4,000.00	0.00%
Uncategorized Expense	3,200.00		3,200.00		3,200.00	0.00	3,200.00	
Utilities	220.00	400.00	-180.00	55.00%	220.00	400.00	-180.00	55.00%
<b>Total Expenses</b>	<b>\$ 6,566.88</b>	<b>\$ 8,500.00</b>	<b>-\$ 1,933.12</b>	<b>77.26%</b>	<b>\$ 6,566.88</b>	<b>\$ 8,500.00</b>	<b>-\$ 1,933.12</b>	<b>77.26%</b>
<b>Net Income</b>	<b>\$ 4,833.12</b>	<b>\$ 4,500.00</b>	<b>\$ 333.12</b>	<b>107.40%</b>	<b>\$ 4,833.12</b>	<b>\$ 4,500.00</b>	<b>\$ 333.12</b>	<b>107.40%</b>
Wednesday, Apr 17, 2019 06:17:57 PM GMT-7 - Accrual Basis								

This month one of Gemstar's concert event got canceled and because of that reason our income budget was projected to be at \$13,000 but instead we managed to pull it off to make \$11,400 which is \$1,600 under budget. On the bright side, we also have under budgeted expenses which turn out favorable for our company. All of the under budgeted expenses added up to be \$1,933.12. This help compensates for the amount that was not made by the concert event that was canceled.

Gemstar Productions, Inc.	
Statement of Cash Flows	
January 1 - April 26, 2019	
	<b>Total</b>
<b>OPERATING ACTIVITIES</b>	
Net Income	4,833.12
Adjustments to reconcile Net Income to Net Cash provided by operations:	
Accounts Receivable (A/R)	0.00
Deposit at Vendor	-500.00
Supplies Inventory	-1,333.33
Accumulated Depreciation	296.88
Accounts Payable (A/P)	1,420.00
Loan Payable	40,000.00
Total Adjustments to reconcile Net Income to Net Cash provided by operations:	<b>\$ 39,883.55</b>
Net cash provided by operating activities	<b>\$ 44,716.67</b>
<b>INVESTING ACTIVITIES</b>	
Vehicles	-14,250.00
Net cash provided by investing activities	<b>-\$ 14,250.00</b>
<b>FINANCING ACTIVITIES</b>	
Interest Payable	233.33
Common Stock	20,000.00
Net cash provided by financing activities	<b>\$ 20,233.33</b>
Net cash increase for period	<b>\$ 50,700.00</b>
Cash at end of period	<b>\$ 50,700.00</b>
Friday, Apr 26, 2019 12:50:18 AM GMT-7	

### Statement of cash flows:

**Operating activities:** which means these are the principal revenue generating activities. The total Adjustments to reconcile Net Income to Net cash provided by operations was at \$39,883.55. Most of the cash inflow should come from this part but because the biggest cash inflow was a loan this doesn't seem to be the case for Gemstar. The Accumulated Depreciation is at 296.88 which means the total amount that the asset has been expensed over the asset's life.

**Investing Activities:** which mean it's consists of any cash flows from the acquisition and disposal of long-term assets and other investments not included in cash equivalents. Net cash provided by investing activities was at \$14,250. The company invested in a truck that transports all rented equipment necessary for the events.

**Financing activities:** which means it's consists of cash flows that result in changes in the size and composition of the borrowing of the company. The net cash provided by financing activities was at 20,233.33. The company received an amount of \$20,000 in common stock that worked as our company start up in the beginning of the month. The cash by the end of the period was at \$50,700. Sadly, this means that Gemstar have to work hard in order to become more financially healthy.

# Internal Controls



1. Use a system of checks and balances to ensure no one person has control over all parts of a financial transaction.
  - o It requires purchases, payroll, and disbursements to be authorized by a designated person.
  - o Its separate handling (receipt and deposit) functions from record keeping functions (recording transactions and reconciling accounts).
  - o Its separate purchasing functions from payables functions.
  - o It ensures that the same person isn't authorized to write and sign a check.
  - o Remember when opening mail, endorse or stamp checks "For Deposit Only" and list checks on a log before turning them over to the person responsible for depositing receipts. Periodically reconcile the incoming check log against deposits.
  - o Always require supervisors to approve employees' time sheets before payroll is prepared.
  - o Always require paychecks to be distributed by a person other than the one authorizing or recording payroll transactions or preparing payroll checks.
  - o If the agency is so small that you can't separate duties, require an independent check of work being done, for example, by a board member to make things easier.
  - o Always require accounting department employees to take vacations.
  - o The owner of the company should check up on employee to make sure everything is being followed.

# Internal Controls



2. Reconcile agency bank accounts every month.
  - o Always require the reconciliation to be completed by an independent person who doesn't have bookkeeping responsibilities or check signing responsibilities or require supervisory review of the reconciliation.
  - o Always examine canceled checks to make sure vendors are recognized, expenditures are related to agency business, signatures are by authorized signers, and endorsements are appropriate.
  - o Always examine bank statements and cancelled checks to make sure checks are not issued out of sequence.
  - o Always initial and date the bank statements or reconciliation report to document that a review and reconciliation was performed and file the bank statements and reconciliations.
  - o Have a manager reconcile the bank accounts every month and sign documents stating that everything is being followed.

## Internal Controls



3. Restrict use of agency credit cards and verify all charges made to credit cards or accounts to ensure they were business-related.
  - o Always limit the number of agency credit cards and users.
  - o Always establish a policy that credit cards are for business use only; prohibit use of cards for personal purposes with subsequent reimbursement.
  - o Always set account limits with credit card companies or vendors.
  - o Always inform employees of appropriate use of the cards and purchases that are not allowed.
  - o Always require employees to submit itemized, original receipts for all purchases.
  - o Always examine credit card statements and corresponding receipts each month, independently, to determine whether charges are appropriate and related to agency business.
  - o As the owner check bank statement to make sure no one is using the credit card for personal use.

## Internal Controls



4. Provide Board of Directors oversight of agency operations and management.
  - o Always monitor the agency's financial activity on a regular basis, comparing actual to budgeted revenues and expenses.
  - o Always require an explanation of any significant variations from budgeted amounts.
  - o Always periodically review the check register or general ledger to determine whether payroll taxes are paid promptly.
  - o Remember to document approval of financial procedures and policies and major expenditures in the board meeting minutes.
  - o Always require independent auditors to present and explain the annual financial statements to the Board of Directors and to provide management letters to the Board.
  - o Always evaluate the Executive Director's performance annually against a written job description.
  - o Always participate in the hiring/approval to hire consultants including the independent auditors.

# Internal Controls



5. Prepare all fiscal policies and procedures in writing and obtain Board of Directors approval. Include policies and/or procedures for the following:
  - o The cash disbursements
  - o The attendance and leave
  - o The expense and travel reimbursements
  - o The use of agency assets
  - o The purchasing guidelines
  - o The petty cash
  - o The conflicts of interest
  - o It will prevent fraud transaction.
  - o A written signature from the Board of Directors for approval.
  - o Make sure all documents are sign by Board of Director to know that it is being followed.

## Terms

Hollywood accounting (known as Hollywood bookkeeping) actually means accounting methods used by the film, video and television industry to budget and record profits for film projects. It gets its name from its prevalence in the entertainment industry. The three main factors in Hollywood accounting are production overhead (studios, on average, calculate production overhead by using a figure around 15% of total production costs), distribution overhead (film distributors typically keep 30% of what they receive from movie theaters), and marketing overhead (To determine this number, studios usually choose about 10% of all advertising costs). All of the three main factor means of calculating overhead are extremely controversial, even within the accounting profession. These percentages are assigned even without much regard to how much, in reality, these estimates relate to actual overhead costs.

# References

HOLLYWOOD ACCOUNTING. (n.d.). Retrieved from <http://palakgoel1808.blogspot.com/2014/09/normal-o-false-false-false-en-us-x-none.html>

Office of Mental Health. (n.d.). Retrieved from [https://www.omh.ny.gov/omhweb/resources/internal\\_control\\_top\\_ten.html](https://www.omh.ny.gov/omhweb/resources/internal_control_top_ten.html)

images.google.com