

ACCT11059: Using Accounting for Decision Making

Term 1, 2015

Assignment stage 1 (ASS #1): Getting Started

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Due Date: Tuesday, 7 April 2015, 11:00 AM

STEP 1

Requirements: *involves you setting up your personal profile on Moodle and your personal*

blog. This will help others in the course to get to know you, as we all work together to learn and gain our own personal insights into the (possibly) exciting world of accounting.

Link to my personal profile on Moodle:

<https://moodle.cqu.edu.au/user/profile.php?id=14376>

Link to my blog:

<http://elinasworldofaccounting.blogspot.com.au/>

The link to my blog was also added to the Blog Links Forum on Moodle.

STEP 2

Requirements: *involves you identifying your own company, posting on your blog some background information on your company and its industry, and commenting on other people's blogs.*

Initial thoughts and concerns

When I first saw the company I got assigned to - Domino's Pizza Enterprises, I was super happy – a company that I actually know! I mean, who wouldn't be familiar with pizza? However, after a while I realised that the company is big, HUGE actually – the largest pizza chain in Australia - hence I know there's a lot of work and information that I have to take in for the next couple of weeks. It's certain that there's a lot more than pizza and garlic bread to this company, and that's exactly what I will be finding out throughout this assignment.

Getting to know my Firm

The company I got assigned to work with is **Domino's Pizza Enterprises**, which is the largest pizza chain in Australia beating other pizza chains with both – network store numbers as well as sales. It is also the largest franchisee for the Domino's Pizza brand in the world.

The Domino's brand is owned by Domino's Pizza Inc, a listed US company.

Domino's Pizza Enterprises is not only represented in Australia, but all over the world, including countries such as New Zealand, France, Belgium, the Netherlands and Japan, with more than 1400 stores and approximately 26 000 employees.

Domino's visions are to be “Number 1 in Pizza” and “Number 1 in People”, with a mission to “Sell more Pizza and have more fun”.

The values they listed on their website are:

- Treat people as you'd like to be treated.
- Produce the best for less.
- Measure, manage and share what's important.
- Think big and grow.
- Incentivise what you want to change.
- Set the bar high, train, never stop learning.
- Promote from within.
- We are not ordinary, we are exceptional.

Besides being the number one pizza delivery company, Domino's also likes to give back to the community – they believe in supporting the local community and organisations that their customers care about. Domino's is also there in times of natural disasters, providing food for communities in need. Over the past few years, Domino's has offered help to the victims of natural disasters such as Cyclone Larry, the Brisbane Storms in 2008, the Victoria Bushfires in 2009, the Queensland floods, Cyclone Yasi, the Christchurch earthquake in 2011 and the Tasmanian Bushfires in 2013.

Every day of the year, they are proud to support communities across Australia and New Zealand. Over the years Domino's has donated over 20 000 pizzas and more than \$600 000 back into Australian and New Zealand local communities through doughraisers, pizza and monetary donations, sponsorships to local community groups, sporting clubs, charity organisations, schools and events; and The Partners Foundation – founded to assist team members in time of special need or tragedy.

Domino's Pizza also understands the importance of successful relationships with their business partners. To ensure customer satisfaction and to provide the customers with the freshest products made of high-quality ingredients, the list of Domino's business partners include companies such as Coca Cola, Visy, Comgroup, Primo, Ingham, Leprino Foods and Mauri anz.

I also posted about my company on my blog. The posts can be found at the following links:

- About Domino's Pizza Enterprises:

<http://elinasworldofaccounting.blogspot.com.au/2015/03/about-dominos-pizza-enterprises.html>

- More about Domino's Pizza Enterprises:

<http://elinasworldofaccounting.blogspot.com.au/2015/03/more-about-dominos-pizza-enterprises.html>

Annual Reports of Domino's Pizza Enterprises

The three most recent Annual Reports for Domino's Pizza Enterprises can be found at the following links:

2012

http://www.dominos.com.au/media/15948/2012_dpe_annual_report.pdf

2013

http://www.dominos.com.au/media/68298/dpe_2013_annual_report_web.pdf

2014

<http://www.dominos.com.au/media/119859/annual-report-2014.pdf>

Key Concepts and Questions after reading the latest Annual Report.

The latest Annual Report from Domino's Pizza Enterprises is for the year ended 29th of June 2014, hence their Annual Reports follow the financial year.

When starting to read the latest Annual Report, I realised that it is 96 pages long – that is my first concern, for sure. However, when looking at it like that, it is obvious that the proportion of the company's operations is huge, if not overwhelming. I am certain though, that when a person who actually knows what they're doing is looking at it - for example, an investor or a shareholder, there is evidently enough information for them – both in numbers and words.

The Annual Report starts with Group Highlights, and even though it contains a lot of terms I do not understand such as EBITDA, EBIT, NPBT, NPAT, it also contains some things I do understand, for example Network Sales, Revenue Growth and Earnings Per Share, that are increasing year by year. According to just the Group Highlights, it seems that the company is doing pretty well with growing numbers yearly. However, it does say Group 'Highlights' which is most likely supposed to 'highlight' the success of the company, so there's definitely more information to be discovered, in order to determine if the company is doing as well as it seems when having a first look.

The next section I see is Corporate Governance Statement, which I have no idea what that is about. When reading on though, I understand that it is a rather important matter both, to the company and the Board of Directors. It is set as a table describing various ASX Principles and statements as to the Company's compliance or otherwise with them. Statement is separated into 8 categories of values:

- 1) Lay solid foundations for management and oversight
- 2) Structure the Board to add value
- 3) Promote ethical and responsible decision-making
- 4) Safeguard integrity in financial reporting
- 5) Make timely and balanced disclosure
- 6) Respect the rights of shareholders

- 7) Recognise and manage risk
- 8) Remunerate fairly and responsibly.

The Board of Directors, or just Board, as seen in the Corporate Governance Statement, is structured to add value. At the date of the latest report, the Board contains six directors who are responsible for guiding and monitoring Domino's Pizza Enterprises Limited on behalf of shareholders. They seek to identify the expectations of shareholders, as well as other regulatory obligations. They are also accountable for identifying areas of significant risk and ensuring arrangements are in place to adequately manage the risks. Another responsibility of the Board is directing management to optimise the Company's performance and increase shareholder wealth. To assist them in the execution of all of the responsibilities, The Board has established two committees: Nomination and Remuneration Committee and Audit Committee. The committees are able to focus on a particular responsibility and provide informed feedback on the board. It is evident that the shareholders of Domino's Pizza Enterprises are well taken care of, with a Board containing 6 directors as well as two committees looking after the shareholders and ensuring that their wealth is only increased – a well-built strategy ensuring the wellbeing of the shareholders.

When looking at Consolidated Entity in the Director's report, it provides a comprehensive overview of what has happened in the company both in Australia as well as overseas throughout the last year.

One of the challenges that the company is facing is the increased tax rate, which was primarily driven by the higher statutory tax rate arising on the Japan operations. Therefore, even though usually globalisation and expansion of a company comes with many benefits, it also has its disadvantages.

Nevertheless, Domino's Pizza Enterprises seem to be doing well with cash flows from operating activities having increased by \$57.5 million from the previous year, supported by a \$21.9 million improvement in working capital in Japan. There is also an increase in Plant & Equipment and Goodwill compared to the last year as a result of Domino's Pizza Japan acquisition and expenditure on new and refurbished stores. Revenue has increased due to same store sales of 6.3% in Australia and New Zealand, 2.7% in Europe and 10.7% in Japan achieved for the year, mainly due to new store rollouts in Australia and New Zealand and increased television advertising and store relocations to higher profile locations in Japan. The Consolidated Entity set a new record of 125 organic new store openings throughout the year, having a total of 612 stores in Australia and New Zealand, 401 stores in Europe and 320 stores in Japan – all together 1333 stores!

Despite the fact that people will always like pizza, it is still important for a company to strive to higher goals and provide the best for their customers. All of these increasing numbers are a result of different promotional strategies that Domino's around the world have adopted - for example Peri Peri range and Super delivery weekends in Australia, Speed Rabbit Pizza in Europe and television advertising campaigns in Japan. Digital development and technology

also continues to be a key focus for the business, with Australia and New Zealand releasing the Offers App, the Pizza Chef Tool and integrating PayPal as a payment method into the online ordering website. European stores have included “Pizza by the slice” concept in the new store portfolio, as well as improved online ordering systems, which have proved to be popular. In Europe they also adopted many management operational and marketing changes that showed results during the second half of 2014. Consolidated Entity in Europe is also partially assisted by a stronger Euro, which, for now is an asset for the company. However, when the value of the currency drops, it might be a challenge that they would have to face in the future. Domino’s Japan introduced a new internal franchisee financing program for high performing corporate store managers. Since its introduction in December 2013, Domino’s Pizza in Japan had financed 11 store managers into their own franchise stores.

Even though all of the strategies they have successfully executed throughout the year to increase their Revenue, Domino Pizza Enterprises in Australia and New Zealand are planning future developments, continuing to increase and leverage their digital capabilities and maximising online sales. They are also targeting to achieve a new record of new organic store openings across metro and regional markets with the expectation of customer counts growing. In Europe they continue to focus on delivering a number of new initiatives that have put in place to improve operational efficiencies, and they are also expanding the area of countries to use online ordering systems. A new record of organic new store growth is similarly targeted in the region for next year, even though the company has its biggest pipeline of new stores for the region. In Japan they are focusing on the continuation of new store rollouts, including the expansion of the recently created franchisee financing program, as well as increasing their presence across a range of immature markets. They are also continuing moving their stores to higher profile sites to increase the growth in carry out sales.

Questions still remaining unanswered:

- 1) What do EBITDA, EBIT, NPBT, NPAT stand for?
- 2) What’s Hedging Reserve?
- 3) When the company is spreading to more countries, how much will the tax increase affect the company? How would they face the challenge?
- 4) If a stronger currency such as Euro is assisting the consolidated entity in Europe, do weaker currency such as Yen in Japan weaken it?

This information can also be found in my blog at the following link:

<http://elinasworldofaccounting.blogspot.com.au/2015/03/dominos-pizza-enterprises-annual.html>

Face to face discussion and comparing our companies with Julia

N/A

Commenting on other people's blogs

I commented on other people's blogs leaving them feedback and thoughts about their company and posts that I found were worth sharing.

- Comment on Megan's Post:

<https://meganscianni.wordpress.com/2015/03/26/fun-fact-my-company-wasnt-always-called-payce-consolidated/comment-page-1/#comment-6>

- Comment on Rosie's Post:

<https://loversixoxo.wordpress.com/2015/04/02/32/comment-page-1/#comment-13>

- Comment on Julia's Post:

<http://ineedmorebookshelves.blogspot.com.au/2015/04/about-seymour-whyte.html?showComment=1428215291976#c2409583973409452412>

- Comment on John's Post:

<http://japlayf.blogspot.com.au/2015/03/new-blog-address.html?showComment=1428215425817#c5454817013721220007>

- Comment on Dinh's Post:

<http://dinhdinhip.blogspot.com.au/2015/04/assignment-1-and-spreadsheet.html?showComment=1428215501184#c6466629233770164681>

Top Three Blogs

It must be said that it was incredibly hard to select a top three. Enormous number of people had put a lot of time and effort into their blogs, with beautiful designs, illustrative pictures, educational posts and engaging reads. Nevertheless we only had to select 3, so following are my 3 favourite blogs.

- 1) Claudia-Rose Genocchio

<https://loversixoxo.wordpress.com/>

Rosie's blog is just super pretty! The moment I stumbled across it I knew it's going to be in my top 3. The inspirational top banner makes me think that hey, I really do 'got this', even though I don't. I like reading her posts that are reflecting her as a person, describing her orientation day and first weeks through UNI that I can totally relate to! Like, ONLY 1% of fun at UNI, what even is this? And after the third week I felt like going home as well. Nevertheless all of her posts have an optimistic vibe that engage you to read and that make the posts so much more enjoyable. You can tell that she's put a lot of effort and time into her blog – absolutely fantastic effort.

2) Megan Sciani

<https://megansciani.wordpress.com>

Megan's blog got my attention with its minimalistic layout and witty posts. I absolutely love the way she writes, it's engaging, amusing, yet informative. She's included some interesting posts and facts about her company, that make you want to read even though you've never heard about the company before. Every post has a little bit of 'her' in it, reflecting her honest reactions and understandings about what she's writing. The blog is up to date and easy to read, which is important if you're a wobble-head like me.

3) Julia De Villiers

<http://ineedmorebookshelves.blogspot.com.au/>

Julia's blog is one of my favourites since I can really relate to it. Her blog isn't all about accounting but also about her whole journey through UNI. Since we're going in the same University and studying the same program, it's great to see how she is going with her studies. She also posts her lecture notes to her blog so it's great to have a glance of her notes when I've missed a day of school.

I also like the blog's irregular layout, with humorous pictures grabbing attention that make you want to go and read the post. All of her posts are simple and straight-forward, easy to read and contain all the basic information.

I also posted my top 3 bloggers to the Blog Links forum in Moodle as well as to my blog. The blog post can be found at the following link:

<http://elinasworldofaccounting.blogspot.com.au/2015/04/top-3-blogs.html>

STEP 3

Requirements: *involves you inputting your company's financial statements into your spreadsheet.*

Spreadsheet is included as a second attachment submitted.

I also posted my spreadsheet to my blog that can be found at the following link:

<http://elinasworldofaccounting.blogspot.com.au/2015/04/dominos-pizza-enterprises-financial.html>

STEP 4

Requirements: *involves you writing down some of your ideas, reflections and reactions to reading Chapter 1 and Chapter 3 in the Study Guide.*

KCO's on Chapter 1 and Chapter 3

CHAPTER 1 – ‘A Way of Viewing Business’

When reading Chapter 1 – ‘A Way of Viewing Business’, the first thing I absolutely loved is that every chapter started with a quote relating to the theme. I think it’s a great approach and keeps the reader’s brain active. I also like the author’s style of writing – it’s engaging and personal, he brings examples from his own personal life, such as the list and pictures he took himself of businesses in his hometown, or how he taught himself to touch-type when doing his Law degree. I also liked that with every statement or fact comes an example, which makes it so much easier to understand. For example, the author stated that “many businesses can mix up different ways providing services, retailing products and manufacturing products” – at first I didn’t really get that, but when he brought an example of hairdressers selling hair products, I understood it. I understood that business is about so much more than just numbers, and how business can be organised as a sole trader, meaning that it only has one owner, and that a business can be also organised as a partnership where there is more than one owner. I also understood about business being organised as a company which is separate from its owners, but business organised as a trust got me a little bit confused. It’s interesting though that about half of the directors of listed Australian companies have accounting backgrounds – there must be a reason for that!

It’s unbelievable how double-entry accounting has been around for a long-long time and we’re still following the principles of it! I mean, how did they even come up with that? But as the author stated – “Ideas are Powerful”. It’s also funny that Luca Pacioli is usually referred to as the ‘Father of Accounting’ even though he didn’t invent the system of double-entry accounting, he was just the first one describing it in a published book. What a fun fact to know! I also found amusing that we still call accounting ‘Bookkeeping’ even though there’s barely any ‘books’ involved. I also didn’t know that the keyboard we use now was first designed for typewriters, and it’s designed like that so the metal arms that held each letter of the typewriter wouldn’t hit each other and get tangled. Even though some people might find it boring or even pointless, I find that it’s great that the whole chapter isn’t all about accounting and its principles but it also talks about the history of it and fun facts that you would never think of!

When looking more into the ‘accounting’ side of the chapter, I felt like I’m already understanding more about what is going on in a business – especially in the business where I work at! When reading about software packages - in the list I found the one that my business uses as well! When reading about journals and ledgers – I recognised them as well and instantly knew what they were, I just never used to know that they are called ‘journals’ and ‘ledgers’. The business I work at also hires staff to enter data, and then we use the firm’s accountant to complete the financial statements and tax returns captured in the accounting package. I’ve actually been taught how to bring the books to the ‘trial balance’ stage, I just didn’t know it was called ‘trial-balancing’! How exciting! See, I’m starting to think that this UNI education might

really pay off! The 'real-life' involvement really helps me to understand better of what I'm reading and vice-versa. The poor company I'm working for though...

Proprietorship got me very confused at first – but when reading the section again as well as discussing the entity concept in class, I got it – the activities of a firm are kept completely separate from those of the firm's owners, and the purpose of double-entry accounting is not only to check the accuracy of the entry of transactions, but it's rather a way of looking at business - to be aware that the proprietor or owner of a firm is separate and distinct from the firm itself. Kind of confusing and kind of boring, but it's important and I got it. I think.

Accounting equation was something new to me and I didn't really understand it at first, but when turning the page (as you do when reading) I was introduced to the five elements of accounting which made the Accounting equation make a little bit more sense! I also realised that a firm's value is changing day-by-day and even moment-by-moment, which was a bit of a surprise to me. But it kind of makes sense due to everything that's going around in the world – when everything is changing in the world moment-by-moment then it is obvious that the realities of business have to change, affecting the value of a firm. Reading about the elements of accounting was a little bit boring and to understand them better, I had to read them over and over. I can't say I understand all of them fully, but at least I know now a little bit more about them – Assets, Liabilities and Equity provide the measure of the value of a firm and of the interests of its equity owners, whilst Revenue and Expenses relate to something the firm has done to create or destroy value during a period of time. That also helps to understand the extended accounting equation a little bit better, which in turn helps us to understand the economic and business realities of firms. It's kind of sad that I find everything that's significant in accounting, kind of boring, but I'm sure than when I'm starting to understand the concepts better, it will get more interesting. I hope.

Even though, being completely honest – I first thought that accounting is about numbers and data and everything boring, the first chapter has proved me wrong! I also like that it encourages us not only 'learn' the key ideas underlying accounting, but to UNDERSTAND them. Without 'learning' how to 'learn' our UNI degree won't give us anything. Throughout the first chapter, introducing a way of viewing business and bringing real-life examples, the author managed to engage me in the world of accounting for a good hour and a half (I'm a slow reader) without falling asleep – a surprisingly enjoyable read!

I also posted my KCQ's on Chapter 1 to my blog, which can be found at the following link:

<http://elinasworldofaccounting.blogspot.com.au/2015/04/kcqs-on-chapter-1-and-chapter-3.html>

CHAPTER 3 – 'Introducing Financial Statements'

N/A

STEP 5

Requirements: *involves you providing (and receiving) feedback to three other students in our course on their draft ASS#1.*

I posted my draft of ASS #1 to the Blog Links Forum in Moodle as well as to my blog. The blog post can be found at the following link:

<http://elinasworldofaccounting.blogspot.com.au/2015/04/assignment-1-draft-ready-for-feedback.html>

Feedback I gave to others:

N/A

Feedback I received from others:

N/A

How did I find feedback from others useful:

N/A