

Financial Accounting I

2014/2015

GAI

Chapter 1

Solutions for the cases



Solutions (*)



- Case 1.01 Luís Simões
- Case 1.02 Galp Energia
- Case 1.03 FEPSA
- Case 1.04 Toyota Caetano
- Case 1.05 Brisa

(*)These cases were prepared based on the consultation of the sources mentioned in each. They were built exclusively for educational purposes, in an academic perspective. Some of the qualitative and quantitative information and the issues presented are purely hypothetical. The names, trademarks and logos are property of the entity (ies) mentioned to which we appreciate the understanding, collaboration and courtesy.

Solution

Story of a "big company" born with vegetables and a cart

1. Business

a. What is the current business of LS?

The current business is the transport (solutions to manage freight) and logistics (solutions for commodity flows management).

b. What is the legal form of the LS business?

It is a limited company. In the beginnings it was an "Lda" and now it is a "SA", or anonymous society. The capital is now divided in "shares" and those who have shares are "shareholders", and they are "owners" of the company.

c. What is the nature of the business developed by LS?

LS is a company that renders services.

d. Give examples of operating, investing and financing activities developed by LS?

Examples of **operating activities**: transport of goods; storage of goods; movement of goods; inventory control; packaging, weighing and labeling; distribution of products; maintenance, repair and technical support.

Examples of **investing activities**: Purchase of trucks; purchase of handling equipment; construction of warehouses.

Examples of **financing activities**: obtaining bank loans.

e. Identify some resources that the LS uses in the development of your business?

The resources that the LS uses in developing its business include:

- ❖ Vehicles / trucks; warehouses; Handling equipment; suspended automata shelves; unit packaging, weighing and labeling; repair and servicing equipment;
- ❖ Hardware; telecommunications, eg, GPS, radio system, and
- ❖ Furniture.

f. How can these resources be financed?

The resources of LS can be financed with the money invested by shareholders or money obtained through bank loans.

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2. Stakeholders in business

a. Who are the investors in LS?

The investors are members of the family.

b. Who are the managers of the LS?

The managers, that are also members of the board of directors, are the three sons of the first owner: José Luís Simões, Leonel Simões and Jorge Simões.

c. Who are the customers of LS?

LS's customers are from various sectors of activity with the needs of freight and / or integrated logistics companies. Examples of sectors: food and beverages, paper, retail outlets, home appliances and automotive.

d. Who are the suppliers of LS?

LS's suppliers are companies that sell vehicles, companies that sell equipment, construction and maintenance of buildings and other companies that provide goods, eg, fuel, parts and supplies companies.

e. Give examples of other creditors that LS can have?

For example, Banks and the State.

3. Business and accounting:

a. What is the importance of understanding the business for accounting?

Accounting involves the collection, processing and reporting of information about the business, which makes possible the taking of evidence-based economic decisions. Without knowing well the business of a company, cannot adequately represent the effect of each of the activities within this business.

A business involves the use of resources, which may serve different purposes depending on the characteristics of this business. For example, a truck from a company that produces trucks for sale is an inventory, but a truck in LS is a tangible fixed asset. And the accounting treatment of an inventory and a tangible fixed asset is clearly distinct.

The 'accounting language' must be according with the "language of business". For this it is necessary to understand the business in which the company operates.

b. What is the importance of accounting for business management?

Accounting is a system of critical information for management and any business. It is a tool for monitoring the progress of business and analysis of financial condition. It provides information for decision-making. Tells us "where you win and where you lose money" in the business; «Where it generates and where to spend money" in the business.

Solution

1. Accounting System

a. What is the accounting system of Galp?

The Galp's accounting system is the system that collects, processes and reports the financial information that probably will be useful for economic-decisions taking.

b. What is the output of financial accounting Galp?

The output of Galp's financial accounting includes the set of financial statements that are used to provide information to a wide range of users that is useful for their decision making process.

c. Perform the logical link between a capital letter (A, B, C), a lower case letter (a, b) one or more numbers (1, 2, 3, 4) and one of the points (i, ii or iii).

Accounting System	Decision Makers	Type of User	Standards
A – Financial Accounting	b – External	2 – Investors 3 – Creditors	ii – IFRS/NC
B – Management Accounting	a – Internal	1 - Managers	iii – none
C – Tax Accounting	b – External	4 – State	i – Revenue Code

2. (Consolidated) Financial Statements

a. What accounting standards Galp should use in preparing its (consolidated) financial statements? Why?

Galp should use and apply IFRS (issued by IASB) when preparing consolidated financial statements, because its capital is divided into shares that are listed in Euronext Lisbon Stock Exchange.

b. What are the (consolidated) financial statements that Galp must prepare?

Galp must prepare a complete set of financial statements, including:

- Statement of financial position (Balance sheet);

² The names, trademarks and logos are property of the entities mentioned in the case, to which we appreciate the understanding, cooperation and courtesy.

- Statement of comprehensive income³, or one income statement and one statement of other comprehensive income;
- Statement of changes in shareholders' equity;
- Statement of cash flows; and
- Notes.

C. What is the purpose of these financial statements? What represent each one?

These financial statements are intended to provide financial information about the Galp that is useful to existent and potential investors, lenders and other creditors in making decisions about providing resources to the entity.

The statement of financial position (balance sheet) presents the financial position of Galp at the end of the reporting period.

The statement of comprehensive income presents the revenues generated and expenses incurred by Galp during the reporting period.

The statement of changes in equity shows the changes in equity of Galp during the reporting period that have been held with the shareholders of Galp Energia and also those resulting from adjustments related to changes in accounting policies and correction of errors.

The statement of cash flows presents the cash flows of Galp during the reporting period.

The notes have additional and complementary information to other information that is included in other financial statements.

d. If Galp had not its shares admitted to trading on the stock exchange, which (consolidated) financial statements would have to submit?

If Galp had not listed shares in a stock exchange the consolidated financial statements could be prepared according with IFRS (issued by IASB) or according with “Sistema de Normalização Contabilística”, SNC, that are Portuguese local standards. If SNC was used the complete set of financial statments would be:

- Balance sheet;
- Income statements;
- Statement of changes in shareholders' equity;
- Statement of cash flows; and
- Notes/Annex.

³ This statement can be entitled “income statement and other comprehensive income”

d).
e. Perform the logical link between a capital letter (A, B, C) and a lower case letter (a, b, c,

Financial Statements	Key words
A – Statement of cash flows	c – Inflows and outflows of cash
B – Income Statement	d – net income
C – Notes	e – Additional information
D – Balance sheet/Statement of financial position	a – Financial Position
C – Statement of changes in shareholders' equity	b – Operations with shareholders

f. Give examples of assets and liabilities that may be included in the Statement of financial position (balance sheet) of Galp.

Example of assets: refineries, warehouses, patents, oil, cash, debts receivable and investments in shares from other companies.

Examples of liabilities: bank loans, payables to suppliers and debts payable to the State.

g. What is the difference between assets and the shareholder's equity attributable to shareholders of Galp at the end of year N? What is its economic significance?

The difference between assets and shareholders' equity attributable to shareholders of Galp at the end of year N is 7.269.934 thousand euros (10.155.417 – 2.885.483). This amount represents the amount of liabilities, ie, the source of financing provided by creditors to finance assets.

3. Users of financial statements

a. Who are the users of financial statements of Galp?

Users are all persons or entities who make economic decisions based on information contained in the financial statements of Galp, namely, investors (shareholders), customers, suppliers, financial institutions, employees and unions, State, regional and local authorities, organizations NGOs and associations, eg environmentalists.

b. Who are the shareholders of Galp?

The main shareholder of Galp Energia is Amorim, with a stake of 38.34%. There are two other shareholders with relief positions in Galp, the Italian oil company Eni and the Portuguese State (through Parpública). In addition, shareholders of Galp are thousands of persons or entities, such as investment funds that hold shares in this company.

c. What is the usefulness of Galp financial statements for its shareholders?

The financial statements of Galp provide information that allow shareholders of this company make decisions to buy, sell or maintenance of their shares in a more reasoned manner.

d. What are the information needs of other users of the financial statements of Galp?

Users	Information Needs/Type of information
Investors (shareholders)	<ul style="list-style-type: none"> • To make decisions to buy, sell or hold shares • To determine the company's ability to pay dividends
Employees/Unions	<ul style="list-style-type: none"> • Information about the stability and profitability of employers • To determine the company's ability to provide health care benefits • To determine the company's ability to provide job opportunities
Banks/Lenders	<ul style="list-style-type: none"> • To determine the company's ability to pay the loans and interest when due
Suppliers and other commercial creditors	To determine the company's ability to pay amounts due on maturity dates <ul style="list-style-type: none"> • Information about the continuity of the company, especially if suppliers are dependent on their orders
Clients	<ul style="list-style-type: none"> • Information about the continuity of the company, especially if customers are dependent on their products and services
State, e.g, Government	<ul style="list-style-type: none"> • Know the tax situation of taxpayers • To determine the fiscal policies, eg, taxation / taxes, prevention of fraud and tax evasion • To regulate the activities of entities • To prepare statistics on income and national accounts
Society and Local and National Authorities	<ul style="list-style-type: none"> • Contribution to the local economy and / or regional (Ex ^o Delta Cafés) • number of people they employ and the impact on living standards • Sponsorship and promotion of trade and local suppliers and / or regional
NGOs and Associations	<ul style="list-style-type: none"> • Transparency and ethical business • Sustainability and environmental impact • Preservation of the species
...	...

Solution

FEPSA: Hats without frontiers

1. Financial Statements

Imagine that Fepsa presented the following documents for the year ended at N. According to what you have learned at classes, identify the Basic Financial Statements according to the Portuguese accounting standards (CNC).

- Balance sheet;
- Income statement;
- Statement of changes shareholders equity;
- Statement of cash flows; and
- Notes.

2. Contents of financial statements

a. Prepare the Balance Sheet, the Income Statement and the Statement of cash flows in N+ 1, considering only the main elements that constitute each of these financial statements.

Balance Sheet		Income Statement		Statement of Cash Flows	
Elements	Amount	Elements	Amount	Elements	Amount
Assets	335.000	Revenues	310.000	Receipts	275.000
Total Assets	335.000	Expenses	(265.000)	Payments	(260.000)
Shareholders' equity	185.000	Net income	45.000	Changes in Cash	+15.000
Liabilities	150.000	...		Cash at the beginning of the period	+10.000
Total SE + Liabilities	335.000	Net income	45.000	Cash at the end of the period	+25.000

⁴ Os valores e as informações apresentadas são hipotéticas, preparadas meramente para fins pedagógicos e académicos. As denominações, marcas e logótipos são propriedade das entidades mencionadas no caso, às quais agradecemos a compreensão, colaboração e cortesia.

- b. Assuming that at the end of N, the capital (equity) of Fepsa totals 50.000 and in year N+1 there were no changes in capital, present a breakdown of equity at the end of the Fepsa N and N+1.

shareholders equity	N	N+1
Capital (equity, contributed or sharecapital)	50.000	50.000
Retained earnings ⁵	70.000	90.000
Net income	40.000	45.000
Total Shareholders Equity.....	160.000	185.000

- c. Explain the change that occurred in the shareholders' equity of N to N + 1.

Parameter	Amount	Observations
1. Shareholders' equity in the beginning of N+1	160.000	Equal to SE at the end of N
2. Net income for the period N+1	45.000	Net Income (profit) <u>increases</u> SE
3. Dividends distributed to shareholders	(20.000)	Distribution of dividends <u>decreases</u> SE
4. Shareholders' equity at the end N	185.000	185.000 = 160.000 + 45.000 – 20.000

- ❖ During the year ended at 2009, Shareholders' equity had two changing of opposite signs:
- ♦ An increase of 45.000 due to net income (positive net income, profit);
 - ♦ A decrease of 20.000 due to distribution of dividends to shareholders.

- d. What is the link between the Balance Sheet and the Income Statement?

The link between the balance sheet and the income statement is "net income".

In the Income statement: net income = revenues – expenses

In the Balance sheet: net income is one of the components of shareholders equity.

- e. What is the difference between profit and net income?

⁵ The "retained earnings" are net income (or net earnings) that are accumulated from previous years in the Balance sheet, ie, net income obtained by the firm that was not distributed to its shareholders.

- ❖ Net income can be either positive (profit) or negative (loss).
- ❖ Thus, a profit is a positive net income, but not a negative net income.

f. Is the variation in cash equal to the profit? Why?

No, it isn't. The variation in cash can be equal, higher than, or lower than, profits.

The variation of cash is the difference between all the inflows and outflows of cash, ie, the difference between all receipts and payments. The profits are the positive difference between revenues and expenses.

The variation of cash is supported in the "cash basis" and profits (and losses) are supported in "accrual basis".

- ❖ "cash basis": recognize receipts and payments
- ❖ "accrual basis": recognize revenues and expenses, regardless of the moment in which the respective receipts and payments were done.

3. Elements of financial statements

a. Classify the above elements between assets (resources), liabilities (present obligations) and Shareholders' Equity.

Elements	Amount	Assets	Liabilities
1. Industrial Equipment	70.000	X	
2. Industrial Building	125.000	X	
3. Office furniture	5.000	X	
4. Software (acquired)	15.000	X	
5. Warehouse for raw materials and products	60.000	X	
6. Accounts payables to suppliers	55.000		X
7. Accounts receivable from clients	40.000	X	
8. Patent (acquired)	20.000	X	
9. Cash in Banques	10.000	X	
10. Bank borrowings	125.000		X
11. Raw materials in warehouse	10.000	X	
12. Products in warehouse	35.000	X	

Total assets: 390.000

Total liabilities: 180.000

Total Shareholders equity: 210.000 = 390.000 – 180.000

b. Classify the above elements between revenues and expenses and compute net income.

Elements	Amount	Revenues	Expenses
1. Sales to costumers	347.000	X	
2. Cost of Sales	80.000		X
3. Expenses with telecommunications	8.000		X
4. Expenses with energy	12.000		X
5. Expenses with fuel	5.000		X
6. Depreciations for buildings and equipment	60.000		X
7. Expenses with work labor	120.000		X
8. Interests from borrows	11.000		X
9. Interests from bank deposits	3.000	X	
10. Rent for the use of offices	4.000		X

Revenues: 350.000

Expenses: 300.000

Net income: 50.000 = 350.000 – 300.000

Solution

The history of a man that is one of the richest in Portugal

1. Financial Statements

a. What are the financial statements presented by Toyota Caetano?

Toyota Caetano presents a complete set of financial statements (consolidated), which includes:

- Statement of financial position
- Income Statement
- Statement of Other comprehensive income
- Statement of changes in Shareholders equity
- Statement of cash flows
- Notes

b. What accounting framework was used by Toyota Caetano in the preparation of its financial statements? Why this framework?

Toyota Caetano prepares its consolidated financial statements using IASB standards, which include a set of IFRS (International Financial Reporting Standards) and IAS (International Accounting Standards), and also some interpretations (SIC and IFRIC).

Toyota Caetano's shares are listed on Euronext Lisbon, and the firm is subject to the mandatory application of IASB standards in the preparation of its consolidated financial

2 Statement of financial position

a. What information is provided by the Statement of financial position of Toyota Caetano?

The statement of financial position of Toyota Caetano presents the financial position of the entity at the end of the reporting period. This statement includes three categories of elements: assets, liabilities and equity. The assets represent the economic resources that the entity controls. Liabilities and equity represent the respective funding source.

⁶ As informações apresentadas foram preparadas exclusivamente para fins pedagógicos e académicos. As denominações, marcas e logótipos são propriedade das entidades mencionadas no caso, às quais agradecemos a compreensão, colaboração e cortesia.

b. What is the value and the meaning of assets, liabilities and equity of Toyota Caetano on 31.12.2010?

The assets of Toyota Caetano at the end of 2010 totals EUR 291 170 549 and represents the resources the entity controls as a result of past events, from which are expected to flow to the company economic benefits in the future.

The liabilities of Toyota Caetano at the end of 2010 totals EUR 150 342 863 and is the present obligation of the entity arising from past events, the settlement of which is expected to result in an outflow of resources embodying economic benefits.

The equity of Toyota Caetano at the end of 2010 totals EUR 140 827 686 and represents the investment made by the shareholders and the profits generated and reinvested by the shareholders in the entity.

The liabilities and equity thus represent the sources of financing of the entity's resources. The weight of debt capital is equal to the weight of equity, which indicates there is balance in the capital structure of the entity.

c. What are the main assets and liabilities of Toyota Caetano?

The main assets of Toyota Caetano are tangible fixed assets (property, plant and equipment), inventories and customers, which correspond, respectively, to 34%, 24% and 23% of total assets. The tangible assets are, for example, factories and building, tools, machinery and automotive equipment; inventories are, for example, automobiles held for sale and small parts held to integrate the assembly of mini buses.

The main liabilities of Toyota Caetano are short-term bank loans and suppliers, which correspond, respectively, to 40% and 25% of total liabilities.

3 Income Statement

a. What information is provided by the Income Statement of Toyota Caetano?

The income statement of Toyota Caetano presents the income earned and expenses incurred during the reporting period that are included in profit or loss of the entity. This allows you to analyze financial statements, in absolute terms, the performance of the entity. The amounts presented in the income statement can be used to determine the rate of return on assets and the rate of return on the capital of the entity's owners.

b. What is the value of sales and services of Toyota Caetano in 2010? What is the change over the previous year?

The value of sales and rendered services of Toyota Caetano in 2010 totaled 426.258.266 euros, representing an increase of 6.8% over the previous year.

- c. What are the main operating expenses of Toyota Caetano in 2010? What is the weight of operating expenses in total sales and services?**

The principal operating expenses of Toyota Caetano are cost of sales, External supplies and services and payroll expenses. Cost of sales has a weight of 73% of total operating expenses, which characterizes a business that is primarily commercial in nature.

- d. What is the amount of earnings per share of Toyota Caetano in 2010? What is the change over the previous year?**

The earnings per share of Toyota Caetano in 2010 is 0,341 euros, representing an increase of 16% over the previous year.

4 Statement of other comprehensive income

- a. What information is provided by the statement of other comprehensive income of Toyota Caetano?**

The statement of other comprehensive income of Toyota Caetano presents the income earned and expenses incurred during the reporting period recognized in this entity's shareholder's equity, but which are not included in its profit or loss.

This financial statement allows us also to know the total amount of income generated net of expenses incurred by the entity in the reporting period (comprehensive income). For a more complete analysis of the performance, you should use the comprehensive income rather than profit or loss for the period.

- b. What is the value of other comprehensive income of Toyota Caetano in 2010?**

The other comprehensive income of Toyota Caetano in 2010 totals -1.087.938 euros. If it had not checked this negative effect of income and expenses recognized directly in the entity's shareholders equity, comprehensive income would have been higher by 9%.

- c. What is the main component of other comprehensive income of Toyota Caetano?**

The main component of other comprehensive income of Toyota Caetano is the change in fair value of available for sale investments. The loss on these investments had a negative impact on the entity's equity but not very significant (less than 1%).

5 Statement of changes in equity

- a. What information is provided by the statement of changes in equity of Toyota Caetano?**

The statement of changes in equity of Toyota Caetano shows the changes in equity during the reporting period that have been held with the shareholders of this entity.

- b. What is the value of the investments made in Toyota Caetano by its shareholders and that the value of distributions made by the entity to its shareholders during the year 2010?**

The shareholders of Toyota Caetano made no investment in this entity during 2010. Instead, they received dividends amounting to 5,250,000 euros.

- c. How does the Toyota Caetano applied in 2010, net income generated in the year 2009?**

About half of the earnings of Toyota Caetano generated in 2009 was distributed to its shareholders in 2010. The remainder was transferred to other reserves (EUR 5,129,409).

6 Statement of cash flows

- a. What information is provided by the statement of cash flows of Toyota Caetano?**

The statement of cash flows of Toyota Caetano presents the cash flows of the entity that occurred during the reporting period, classified according to the type of activity (operating, investing and financing).

- b. What is the meaning and value of cash flows from operating, investing and financing activities of Toyota Caetano in 2010?**

Cash flows from operating activities, investing and financing of Toyota Caetano in 2010 amounted, respectively, 25,580,014 euros (4,735,287) and euros (25,956,357) euros.

This entity had net cash inflows related to operating activities, which indicates that the entity's operations generate sufficient cash flows to pay for goods, materials and services consumed.

Toyota Caetano made further investments in non-current assets, tangible fixed assets mainly, so that the net value of cash flows from investing activities is negative.

This entity significantly reduced its short-term bank loans, so that the net value of cash flows from financing activities is also negative.

- c. What are the major cash flows from operating activities of Toyota Caetano?**

The major cash flows from operating activities are: collections from customers, payment to suppliers, payment to personnel.

7 Notes

- a. What information is provided by the notes of Toyota Caetano?**

The notes of Toyota Caetano provide a set of complementary information and additional to that which is presented in the other financial statements of this entity.

- b. Which companies belong to the Toyota Caetano Group on 31.12.2010?**

See note 4 and make the list.

c. What is the value of raw materials, goods and intermediate and finished products held by Toyota Caetano on 31.12.2010?

See note 11:

Raw Materials and Others	9.398.703
Goods	49.655.887
Built-up and Finished Products	3.869.884

d. What is the proportion of sales and services of Toyota Caetano for the internal market in the year 2010? What is the value of vehicle sales in the same year?

Consulting note 33, it is concluded that the values are as follows:

- ✓ Proportion of sales and rendered services for the domestic (internal) market: 93.7%.
- ✓ Vehicle Sales: 335 675 555 euros.

SOLUTIONS

Questions:

1. Financial Statements

a. What are the financial statements presented by Brisa?

- Statement of financial position
- Statement of Profit and Loss and Other Comprehensive Income
- Statement of changes in shareholders' equity
- Statement of cash flows
- Notes

b. What accounting framework was used by Brisa, in preparing its financial statements?

See note 2 of the Notes:

- IFRS issued by IASB
- IAS issued by IASB
- Interpretations (IFRIC and SIC) issued by IFRIC and SIC

2. Statement of financial position

a. What is the amount of Brisa's assets on 31.12.2013? Which asset has the most weight? What is the meaning of that asset?

Total assets at the end of 2013 are 1.067.848 thousand euros. The assets with higher weight are "Investments in subsidiaries and associates", with about 75% over total assets ($801.487/1.67.848 \times 100$). This assets includes participations in the capital of other companies, as described in note 13.

b. What is the value and the meaning of the liability and equity Brisa on 31.12.2013?

Liabilities, at the end of 2013, are 199.478 (current + non-current) and include all the present obligations from past events, the settlement of which is expected an outflow of resources embodying future benefits.

Shareholders equity are 868.370 thousand euros and represents the investment made by shareholders (financing from the point of view of the company), as well as net income that were not distributed to shareholders (but reinvested in the company).

c. Which is the main liability of Brisa to 31.12.2013?

The main liability at 31.12.2013 are “provisions”, amounting 150.144 thousand euros. According to note 22, these provisions are:

- Provisions for financial investments
- Provisions for others risks and charges

3. Statement of income and other comprehensive income

a. What information is provided by the statement of profit or loss and other comprehensive income of Brisa?

Companies may submit their comprehensive income using one of the following structures: a single statement of comprehensive income or two separate financial statements (income statement and statement of other comprehensive income).

Brisa elected to present a single financial statement showing the income and expenses recognized in profit or loss (and impact on net income for the period) and the income and expense recognized directly in equity.

Therefore, the first part of this financial statement presents Brisa revenues generated and expenses incurred that are included in profit or loss of the entity showing the performance of entity. For example, during the reporting period of 2013, Brisa generated a net profit for the period amounting to 51.321 million euros, compared with the investments of the shareholders (equity of 868.370 million euros), representing a rate of return on equity 6% ($51.321 / 868.370$).

The second part of this financial statement presents the revenues generated and expenses incurred are recognized in equity Brisa. For example, in 2013, Brisa recognized gains of 255 thousand euros directly in equity who respected actuarial gains on pension plan of the entity.

This demonstration shows the total of net income and other comprehensive income of the reporting period. For example, in 2013, Brisa generated a comprehensive income of 51.576 million euros.

b. What is the value of net income in the year 2013? What is the change over the previous year?

Net income obtained, in 2013, is 51.321 thousand euros. In 2012 was 270.254 thousand euros. The change (variation) is, in € amount, -218.933 thousand euros, and in %, -81%.

c. What are the main operating expenses of Brisa in the year 2013? What is the percentage of operating expenses in total income?

The main operating expenses are “personnel cost”, with a weight of 33% in revenues (income) and “supplies and services” with a weight of 17% in revenues.

- d. In 2013, what amount of spending on supplies and services was supported by the company? What type of expenditures are these?**

In the year 2013, supplies and services amounted 7.931 thousand euros. Note 4 indicates that this amount is related with: maintenance and repairs, specialized works, rents and rentals, communications, advertising costs.

- e. What is the value of other comprehensive income in the year 2013 Brisa? And what is the main component of other comprehensive income of the company?**

Other comprehensive income, in 2013, was 255 thousand euros. This gain is due to actuarial gains in retirement benefits. In both 2013 and 2012 years this was the only other comprehensive income for this company.

- f. Which is the another financial statement that also recognizes actuarial gains or losses on the pension plan Brisa?**

Gains and losses with retirement benefits are also included:

- In statement of financial position (shareholders' equity)
- In statement of changes in shareholders' equity (in reserves legal and others).

4. Statement of changes in equity

- a. What information is provided by the statement of changes in equity of Brisa?**

The statement of changes in equity presents:

- The comprehensive income of the reporting period, and
- The changes in equity during the reporting period that have been held with the shareholders of this entity.

- b. What is the value of distributions made by the entity to its shareholders during the years 2012 and 2013?**

During the year 2012, Brisa has not distributed dividends to shareholders.

During the year 2013, Brisa distributed to shareholders dividends amounting to 381.407 thousand euros, relating to profits generated in prior periods.

- c. How does Brisa applied in 2013, net income generated in the year 2012?**

According to the statement of changes in equity, Brisa transferred to legal reserves and other, all the net income of 2012 (ie 270.254 thousand euros). However, also in 2013, Brisa distributed dividends to shareholders in the amount of 381.407 thousand euros, which were taken from legal reserves and other, not knowing exactly which periods these reserves were established.

- d. What is the change in equity (in value and as a percentage), between the beginning and the end of the year 2013? What are the main reasons for this variation?**

Between the beginning and the end of 2013, the change in equity was -329.487 thousand euros, or decrease of 27.50%. The main reason for this change was the distribution of dividends to shareholders (which affected the balance of reserves) worth 381.407 thousand euros.

5 Statement of cash flows

- a. What is the value of receipts and payments related to investing activities in the year 2013?**

During the period 2013, Brisa receipts from investment activities were 43.280 thousand euros; and payments on investment activities were 66.242 thousand euros.

- b. What are the major cash flows from financing activities Brisa?**

Both in 2012 and in 2013, Brisa only recorded payments for financing activities. In 2012, the payment that weighed more in financing activities was the repayment of loans (246 thousand euros); and in 2013 was the payment of interest and similar costs (381.509 thousand euros).

- c. What is the value of cash and cash equivalents at end of 2013? And what is the variation compared with January 1, 2013? What are the reasons for this variation?**

The value of cash and cash equivalents at the end of 2013 was 95.079 thousand euros. In early 2013, cash and cash equivalents recorded a value of 477.473 thousand euros, so the change was -382.394 thousand euros. This increase was primarily due to flows from financing activities, and then flows from investing activities.

6 Notes

- a. What is the detail of Cash and Cash Equivalents on 31.12.2013?**

Detail of Cash and Cash Equivalents (in Statement of Financial Position and Statement of Cash Flows) can be found in note 17. According to this note, the balance of cash and cash equivalents is 95.079 thousand euro , consists of bank deposits amounting to 95.089 thousand euros and a bank overdraft in the amount of 10 000 euro (to be deducted, since this a kind of liability).

- b. Did Brisa disclose contingent liabilities on 31.12.2013? If so, to which they refer?**

Yes, they disclosed. This amount corresponds to bank guarantees to guarantee compliance with the Capital Subscription and, also bank guarantees provided to the Tax Authorities within the scope of pending proceedings.

c. On what date the Directors of Brisa approved the financial statements for 2013?

According to Note 28, the Directors of Brisa approved the financial statements for 2013 on April 4, 2014.