

Financial Accounting

2014/2015

GAI

Chapter 2

Cases



Cases to be solved in classes (*):



Case 2.01 Portucel Soporcel

Case 2.02 Sumol-Compal

Case 2.03 Delta Cafés

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

CASE 2.01 Portucel Soporcel¹

Concepts

- ❖ Elements of Balance Sheet.
- ❖ Classification of assets and liabilities: current and non-current
- ❖ The impact of financing and investment decisions in the Balance sheet.

Learning objective

After the study/resolution, students shall:

- ❖ Understand the relation between the balance sheet and the business.
- ❖ Know how to classify assets and liabilities between current and non-current.
- ❖ Know how to define and distinguish between different type of assets and liabilities.
- ❖ Know how to identify the effects of investing and financing transaction in the balance sheet.

Resources to help

- ❖ Vídeo Portucel Soporcel
- ❖ Slides from theoretical classes.
- ❖ Recommended book (Chapter 2).

Previous autonomous work

- ❖ See the [vídeo](#) and the [website](#) above (attention to the language).
- ❖ Read the case.
- ❖ Study slides and chapter 2 of the recommended book.

¹ Source: www.portucelsoporcel.com. These cases were prepared based on the consultation of the sources mentioned in each. They were built exclusively for educational and academic perspective. Some of qualitative and quantitative information and questions presented are purely hypothetical. The names, trademarks and logos are the property (ies) organization (s) set (s) to which we appreciate the understanding, cooperation and courtesy.

CASE 2.01 Portucel Soporcel²

Portucel Soporcel: The leading European manufacturer of UWF printing and writing paper

Previous Note

The Portucel Soporcel group is very important to the national economy, has a vertically integrated business model - forest, paper pulp, paper and renewable energy - grounded in forestry, industrial and product research, technological innovation and processes. The development of products offer a distinctive value and is recognized as such by the global market.

The Portucel Soporcel group is one of the three largest exporters of Portugal. Selling to 120 countries in 5 continents, especially Europe and the USA, it is Europe's leading producer of bleached eucalyptus pulp and the production of fine printing and writing papers. Portuguese is also the largest producer of "green energy" from biomass.

History

"The Portucel Soporcel group is a success story built on investment and lasting values. The seeds of this success were first sown in the 1950s, when in a global breakthrough a team of technicians at the Cacia mill produced bleached *eucalyptus* pulp using the sulphate process for the first time. This was the first milestone in the Group's history. (...)

With the long-term aim of restructuring the country's paper industry, Portucel took over Papéis Inapa in 2000, followed by Soporcel in 2001, in strategic moves consolidating the sector in Portugal. This proved to be decisive and resulted in the Portucel Soporcel group which enjoys worldwide success today as Europe's leading producer and one of the largest in the world of bleached *eucalyptus* pulp (BEKP) and the top European manufacturer of uncoated woodfree (UWF) paper. By committing itself over the years to *eucalyptus* pulp, the Group has invested in a species, which enjoys ideal conditions in Portugal and has successfully perfected its production of printing and writing papers.

A new phase in the Group's history began in 2004, when a majority holding in Portucel was taken up by Semapa, a leading Portuguese-owned industrial group. The Portucel group consolidated its position in the international markets and in 2006 announced its plans for a new paper mill in Setúbal."

Industrial Complexes

"With a production structure based around industrial complexes in Setúbal, Figueira da Foz and Cacia, the Portucel Soporcel group has asserted itself as Europe's leading manufacturer of UWF paper for office stationery and the printing industry. These plants set an international benchmark in terms of their scale and high-level technology."

² Source: www.portucelsoporcel.com. These cases were prepared based on the consultation of the sources mentioned in each. They were built exclusively for educational and academic perspective. Some of qualitative and quantitative information and questions presented are purely hypothetical. The names, trademarks and logos are the property (ies) organization (s) set (s) to which we appreciate the understanding, cooperation and courtesy.

“The Setúbal industrial site, situated in Mitrena on the Sado estuary, just 8 km from the city of Setúbal, consists of two integrated manufacturing facilities: a mill producing bleached eucalyptus pulp (with a capacity of 530,000 tons/year), supplying approximately 40% of its output to the paper mill, which in turn boasts annual production capacity (manufacture and processing) of 795 thousand tons of uncoated woodfree paper (UWF).”

“Located at the Lavos Industrial Site in Figueira da Foz, this is one of Europe's most efficient pulp and paper production units. With annual production and processing output of approximately 800 thousand tons of UWF paper, this is one of the largest industrial units in Europe.”

“Located in central Portugal, 8 km from the city of Aveiro, the Cacia mill lies at the heart of the country's largest area of eucalyptus forest. Proximity to the source of its raw material is a key asset, which the unit has skilfully converted into product value and competitive advantage”

Woodlands and Biodiversity

“The woodlands are the starting point for the entire business operations of the Portucel Soporcel group, generating an annual turnover above 1,500 million euros, of which more than 95% relates to sales on foreign markets, from Europe to Asia.

The Portucel Soporcel group has pursued an active policy of developing Portugal's forests, planting more trees each year than any other forestry operator in the country and managing woodlands covering some 120 thousand hectares, in 161 municipalities up and down the country, in keeping with the management principles set out in its Forestry Policy. Plantations of *Eucalyptus globulus*, regarded worldwide as producing the ideal fibre for premium quality paper, account for 73% of this area.

In addition to certifying the woodlands under its direct management, the Group has been a driving force behind the expansion of the forest certification process in Portugal.(...) As well as producing eucalyptus timber to supply its pulp mills, the Group's forestry operations have extended into a variety of areas, ranging from game, work, wine and honey to ornamental plants. The Group regards Portugal's woodlands as a source of strategic wealth for the country, considering that the forest-based sector is its third most important source of export revenue. The forests managed by the Group represent an important carbon sink, helping to reduce greenhouse gases in the atmosphere. The carbon retained each year by the Group forests is equivalent to more than double the CO₂ emissions from all its industrial facilities.”

Statement of Financial Position

The statement of financial position of *grupo Portucel Soporcel* represents its final position at the end of each year. The statement of financial position at the end of 2011, and the comparative with 2010, is showed in the following page.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of 31 December 2011 and 2010

Amounts in Euro	Notes	31-Dec-11	31-Dec-10
ASSETS			
Non-Current Assets			
Goodwill	15	376,756,384	376,756,384
Other intangible assets	16	2,776,759	94,486
Plant, property and equipment	17	1,529,709,225	1,604,129,728
Biological assets	18	110,769,306	110,502,616
Available-for-sale financial assets	19	126,031	126,074
Investment in associates	19	1,778,657	516,173
Deferred tax assets	26	46,271,758	22,963,945
		2,068,188,120	2,115,089,406
Current Assets			
Inventories	20	188,690,926	172,899,681
Receivable and other current assets	21	242,257,094	212,839,536
State and other public entities	22	54,684,123	32,228,030
Cash and cash equivalents	29	267,431,715	133,958,910
		753,063,858	551,926,157
Total Assets		2,821,251,978	2,667,015,563
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	24	767,500,000	767,500,000
Treasury shares	24	(42,154,975)	(26,787,706)
Fair value reserves	25	(523,244)	78,040
Other reserves	25	57,546,582	47,005,845
Currency translation reserve	25	(485,916)	881,575
Other reserves	25	499,721,012	304,020,378
Net profit for the year		196,331,389	210,588,080
		1,477,934,848	1,303,286,212
Non-controlling interests			
	13	220,660	216,755
		1,478,155,508	1,303,502,967
Non-current liabilities			
Deferred tax liabilities	26	193,236,695	164,998,958
Pensions and other post-employment benefits	27	16,682,785	13,713,756
Provisions	28	19,602,592	25,213,377
Interest-bearing liabilities	29	566,813,031	729,696,907
Other non-current liabilities	29	18,109,324	24,471,153
		814,444,427	958,094,151
Current liabilities			
Interest-bearing liabilities	29	164,085,292	91,250,000
Payables and other current liabilities	30	284,893,379	264,839,433
State and other public entities	22	79,673,372	49,329,012
		528,652,043	405,418,445
Total liabilities		1,343,096,470	1,363,512,596
Total equity and liabilities		2,821,251,978	2,667,015,563

Additional information can be obtained in www.portucelsoporcel.com

Questions:

1. Elements of the statement of financial position

- a. Identify and define the 3 main elements of the statement of financial position of Portucel Soporcel.

- b. What is the proportion of assets financed by “Investors in the company” and financed by “creditors of the company”?
- c. Make the link between uppercase (A, B, C) and lowercase (a, b, c, d,...) letters.

Elements	Key-words
A – Equity	a – Resource
B – Assets	b – Present
C – Liabilities	c – Residual interest
	d – Control
	e – Past events
	f – Outflow of resources
	g – Financing
	h – Future economics benefits
	i – Obligation

2. Classification of assets and liabilities

- a. The assets and liabilities of Portucel Soporcel are presented in the statement of financial position classified as current and non-current. What is the difference between this two categories of assets?
- b. Identify the most important current and non-currents assets, as well as current and non-current liabilities, at the end of 2011.
- c. What is at the end of 2011, the proportion of non-current assets relative to total assets?
- d. Assume, hypothetically, that the statement of financial position of Portucel Soporcel includes, among others, the following assets. Rank them in tangible fixed assets, intangible assets, inventories and biological assets, with the definition of each of these elements.

Assets
Factory in figueira da foz
Office building
Eucalyptus plantation
Eucalyptus pulp
Accounting software
Watchdogs
Reels of paper
Brand navigator
Paper warehouse
Trunks of eucalyptus
Vines
Reams of paper

- e. Make the link between uppercase (A, B, C) and lowercase (a, b, c, d,...) letters.

Assets	Key-words
A – Fixed tangible assets	a - generate rents
B – Intangible assets	b - More than one accounting period
C – Merchandise	c - Use in the production or supply of goods
D – Raw materials	d - Lack of physical substance
E – Finished goods	e - Sale without transformation
F – Property investments	f - Capital appreciation
	g – Application in the production
	i - Sale with transformation

3. Effect of transactions on the elements of the statement of financial position

Assume, hypothetically, that the Portucel Soporcel is considering building a new plant/factory. This investment follows the outlined strategic options for years to come, and ensure the production capacity needed to enhance the position of this entity in the international market. The cost of this new facility is estimated at 500 million euros. To finance this investment, the administration is considering three alternative scenarios:

- a. Capital increase in the amount of EUR 500 million, paid in cash.
- b. Obtaining a bank loan of EUR 500 million, to be repaid in twenty annual installments, the first path in the amount of EUR 25 million.
- C. Obtaining a bank loan of EUR 500 million, to be repaid within one year.

Discuss the effect of this investment and the respective financing in the statement of financial position of Portucel Soporcel.



CASE 2.02 Sumol+Compal³



Concepts

- ❖ Balance Sheet.
- ❖ Classification of assets and liabilities: current and non-current
- ❖ The impact of financing and investment decisions in the Balance sheet.

Learning objective

After the study/resolution, students shall:

- ❖ Understand the relation between the balance sheet and the business.
- ❖ Know how to classify assets and liabilities between current and non-current.
- ❖ Know how to define and distinguish between different type of assets and liabilities.
- ❖ Know how to identify the effects of investing and financing transaction in the balance sheet.

Resources to help

- ❖ Vídeo Compal Fruta Fresca «Maquineta»: www.youtube.com/watch?v=x9BVIENpcHc
- ❖ Website: www.sumolcompal.pt
- ❖ Slides from theoretical classes.
- ❖ Recommended book (Chapter 2).

Previous autonomous work

- ❖ See the vídeo and the website above (attention to the language).
- ❖ Read the case.
- ❖ Study slides and chapter 2 of the recommended book.

³ Source: www.sumolcompal.pt. These cases were prepared based on the consultation of the sources mentioned in each. They were built exclusively for educational and academic perspective. Some of qualitative and quantitative information and questions presented are purely hypothetical. The names, trademarks and logos are the property (ies) organization (s) set (s) to which we appreciate the understanding, cooperation and courtesy.

CASE 2.02⁴ Sumol+Compal

Case

Sumol+Compal: Trades with history

- ❖ Class: See the video «Maquineta» → the message is: “Only fresh fruit, nothing more”
Compal Fruta Fresca «Maquineta»: www.youtube.com/watch?v=x9BVIENpcHc
- ❖ Website: www.sumolcompal.pt

The Company

The SUMOL + COMPAL is the leading company in the sector of non-alcoholic beverages in Portugal. It owns or represents some of the brands of consumer products with greater awareness and preference in Portugal, with very strong market share in fizzy soft drinks, juices, nectars and fruit drinks without sparkling and without water and sparkling, including the flavored ones.

This company was born as a result of the integration of two companies renowned for the quality and naturalness of its products which held two national historic brands, among the best known, preferred and consumed by the Portuguese: SUMOL and COMPAL. Each of these companies acted on the market for over 50 years. The Sumolis (owner of the brand Sumol) originated from a small company called Refrigor activity that began in 1945. Compal was born in 1952.

The SUMOL + COMPAL is structured into three business units, waters and beers, soft drinks and nutrition and sells both for the domestic market and the international market.

The quality of products, the ability of innovation and differentiation and strong ties to the nutritional benefits is an integral part of the heritage of the company business. Its mission is to be a reference company in fruit drinks and, in Portugal, strengthens leadership in non-alcoholic beverages, keeping prominent positions in the prepared vegetables and tomato products.

The main brands of this company are the Sumol and Compal, and has an extensive and complete portfolio of other brands, such as, GUD, B!, Um Bongo, Frize, Tagus and Water Serra da Estrela, and represented brands Pepsi, 7 Up, Guarana Antarctica, Gatorade and Grolsch. The brand management and customer management is Considered to be the basis of their business.

The SUMOL + COMPAL has four industrial units located in Almeirim, Pombal, Gouveia and Vila Flor. It employs about 1400 people and has a portfolio of nearly 50 000 direct customers with a guaranteed coverage for the largest direct sales network in their activity sector, complemented by a network of distributors. It is presented in 64 countries.

⁴ Source: www.sumolcompal.pt. The names, trademarks and logos are the property (s) organization (s) set (s) in this case, which we appreciate the understanding, cooperation and courtesy. This case was built on an academic perspective. Some of the information and issues presented are purely hypotheticalal.

Statement of Financial Position

The statement of financial position of *Sumol+Compal* represents its final position at the end of each year. The statement of financial position at the end of 2011, and the comparative with 2010, is showed below.

ATIVO ASSETS	Notas Notes	31-12-2011	31-12-2010
ACTIVO NÃO CORRENTE / NON-CURRENT ASSETS			
Goodwill / Goodwill	3, 4 e 37 / 3, 4 and 37	113.453.853,72	113.453.853,72
Intangível / Intangible	5 e 37 / 5 and 37	290.466.141,08	289.091.873,85
Tangível / Tangible	6 e 37 / 6 and 37	75.735.032,28	81.684.942,44
Outros investimentos financeiros / Other investments	7 e 37 / 7 and 37	63.212,84	63.212,84
Dívidas comerciais de longo prazo a receber / Long-term trade debts receivable	8	2.319.644,30	1.681.388,15
Ativos por impostos diferidos / Deferred tax assets	3 e 31 / 3 and 31	4.565.818,00	7.566.455,29
TOTAL DO ACTIVO NÃO CORRENTE / TOTAL NON-CURRENT ASSETS		486.603.702,22	483.541.726,29
ACTIVO CORRENTE / CURRENT ASSETS			
Inventários / Stocks	9 e 37 / 9 and 37	30.105.004,86	30.004.156,63
Dívidas comerciais de curto prazo a receber / Short-term trade debts receivable	10	52.742.131,62	59.466.976,29
Ativos por impostos correntes / Assets for current taxes	11	12.759.890,04	8.960.256,28
Outros ativos correntes / Other current assets	12	4.829.054,97	7.849.983,58
Caixa e equivalentes a caixa / Cash and cash equivalents	13	891.345,10	838.156,10
TOTAL DO ACTIVO CORRENTE / TOTAL CURRENT ASSETS		101.237.426,59	107.119.526,88
TOTAL DO ACTIVO / TOTAL ASSETS	37	587.841.128,81	600.661.255,17
CAPITAL PRÓPRIO E PASSIVO EQUITY AND LIABILITIES			
CAPITAL PRÓPRIO / EQUITY			
Accionistas da empresa-mãe / Parent company equity holders:			
Capital / Share capital	14	100.092.500,00	100.092.500,00
Ações próprias (valor nominal) / Treasury stock (nominal value)	1 e 14 / 1 and 14	(3.186.213,00)	(2.242.500,00)
Ações próprias (descontos e prêmios) / Treasury stock (discounts and premiums)		(372.449,88)	(159.117,41)
Excedentes de revalorização / Revaluation surpluses		17.049.759,53	17.124.033,48
Reservas legais / Legal reserves		1.565.651,78	1.565.651,78
Outras reservas / Other reserves		40.749.686,63	41.076.658,40
Resultados retidos / Retained earnings	3	(25.735.575,88)	(32.787.812,49)
Resultado líquido do período / Net income for the year	3, 14, 37 e 38 / 3, 14, 37 and 38	6.117.012,29	9.470.036,03
TOTAL DO CAPITAL PRÓPRIO / TOTAL EQUITY		136.240.371,47	134.139.449,79
Interesses minoritários / Minority interests	15 e 37 / 15 and 37	(42.139,26)	(119.731,97)
TOTAL DO CAPITAL PRÓPRIO / TOTAL EQUITY		136.198.232,21	134.019.717,82
PASSIVO / LIABILITIES			
PASSIVO NÃO CORRENTE / NON-CURRENT LIABILITIES			
Empréstimos de longo prazo / Long-term bank loans	3, 16 e 17 / 3, 16 and 17	188.828.447,78	238.039.926,32
Dívidas comerciais de longo prazo a pagar / Long-term trade debts payable	17 e 18 / 17 and 18	10.513.438,41	7.932.363,61
Provisões / Provisions	19	1.041.505,60	1.203.519,78
Passivos por impostos diferidos / Deferred tax liabilities	3 e 31 / 3 and 31	71.355.974,00	72.080.996,67
TOTAL DO PASSIVO NÃO CORRENTE / TOTAL NON-CURRENT LIABILITIES		271.739.365,79	319.256.811,38
PASSIVO CORRENTE / CURRENT LIABILITIES			
Empréstimos de curto prazo / Short-term bank loans	3, 17 e 20 / 3, 17 and 20	35.855.757,02	19.726.868,05
Dívidas comerciais de curto prazo a pagar / Short-term trade debts payable	17 e 21 / 17 and 21	47.577.216,82	36.704.741,96
Passivos por impostos correntes / Liabilities for current taxes	22	6.670.326,75	4.997.480,16
Outros passivos correntes / Other current liabilities	23	14.956.301,83	18.547.718,80
Outros passivos financeiros / Other financial liabilities		380,00	-
Equivalentes a caixa / Cash equivalents	3 e 13 / 3 and 13	74.843.328,39	67.407.917,00
TOTAL DO PASSIVO CORRENTE / TOTAL CURRENT LIABILITIES		179.903.510,81	147.384.725,97
TOTAL DO PASSIVO / TOTAL LIABILITIES	37	451.642.896,60	466.641.537,35
TOTAL DO CAPITAL PRÓPRIO E PASSIVO / TOTAL EQUITY AND LIABILITIES		587.841.128,81	600.661.255,17

Questions:

1. Elements of the statement of financial position

- a) Identify the major current and non-current assets, as well as current and non-current liabilities and give some examples of elements that could be included in each one of those classifications.
- b) What was the proportion of intangible assets, including goodwill, relative to the total of non-current assets, at the end of 2011? Comment.
- c) What was the proportion of assets financed by Bank Loans at the end of 2011? Comment.
- d) Suppose that Sumol+Compal's Balance sheet includes, among others, the following elements. Classify those elements as current or non-current assets and current or non-current liabilities.

Elements
Factories
Lands
Office's furniture
Juice's equipment of production
Forklifts
Bank loans – to be settled within one year
Warehouse of materials and products
Guavas harvested from a plantation in Brazil
License to (entitled to) operate a tea estate in Sri Lanka
Dividends to be paid to shareholders
Royalty to represent the brand Pepsi in the Portuguese market
Computers
Software to manage accounts from clients
Juices in the warehouse available to sell
Juices that are work-in-progress
Oranges and pomegranates in the warehouse
Trade marks acquired
Accounts payable to suppliers of fruit
Income taxes to be paid to State
Accounts from costumers
Money in bank deposits
Bank loans – to be settled after 1 year of the balance sheet date

2. Effect of transactions on the elements of the statement of financial position

- a) Assume, hypothetically, that occurred during the year 2012, among others, the following transactions with impact on the statement of SUMOL + COMPAL (amounts in Euros' 000) financial position. Identify the effect of each of these transactions.

Transactions
Increase of the share capital of the entity in the amount of 50.000. This capital was fully paid in cash.
Obtaining a bank loan totaling 60.000, to be repaid in five equal annual installments, beginning in 2013.
Acquisition of new production equipment that allows to fully maintaining the nutritional value of fresh fruit. This equipment cost 15.000 and will be paid during 2013.
Acquisition of a brand juices highly regarded in the European market, worth 20.000. This mark was paid immediately.

- b) Assume, hypothetically, that you decide to create a company to commercialize fresh fruit juices SUMOL + COMPAL in northeastern Brazil. Choose the name of the company: Fresh-fruit, SA. Before you start operating, you have to obtain financing and have to make some investment. Assume that initially occurred, among others, the following transactions (amounts in Euros' 000):

Transations
Constitution of the company "Fresh Fruit", with capital of 15.000, representing 200.000 shares. This capital was fully paid in cash.
Acquisition of warehouses and administrative equipment: 12.000, prompt payment.
Acquisition of transport equipment: 5.000. Buying on credit, payable two years later.
Acquisition of software by 3.000, paid immediately.
Obtaining a bank loan in the amount of 8.000 to be paid in annual installments, and the first installment is 2.000.
Purchase of a financial investment in a major supermarket chain in northeastern Brazil. The acquisition was prompt paid, for 4.500.

Prepare the statement of financial position of the new entity after each transaction, using a step-by-step methodology (successive balance sheets).

After the 4th transaction the share capital of Fresh-fruit is 15.000 but cash and equivalents to cash is zero. Why? What happened to the money that shareholders invested in this company at the constitution date?

The Fresh-fruit already done several transactions but had no impact on profits or losses. Why?



CASE 2.03 Delta Cafés⁵

Concepts

- ❖ The accounts e the analysis of transactions.
 - ❖ Record the effect of the transactions in the accounts: Journal entries and T-accounts.
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Learning objectives

During and after the case students should:

- ❖ Know the major captions that belong to the balance sheet.
 - ❖ Understanding the rules of the accounts in the transaction analysis.
 - ❖ Understand and know how to apply the accounting method related to the recording of transactions in the accounts.
 - ❖ Understand the effect of the financing and investing transactions in the balance sheet.
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Autonomous work

- ❖ Read the case.
 - ❖ Read the case.
 - ❖ Study slides and chapter 2 of the recommended book.
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⁵ Fonte: <http://www.delta-cafes.pt> e <http://www.planetadelta.pt/#/por/planeta-delta/mundo-delta>. The names, trademarks and logos are the property (s) organization (s) set (s) in this case, which we appreciate the understanding, cooperation and courtesy. This case was built on an academic perspective. Some of the information and issues presented are purely hypothetical.

CASE 2.02 Delta Cafés



Statement

Delta Cafés: A company with Human Face

❖ If you want, you can assist the following vídeos (not in english language)

- Vídeo «História da Delta Cafés»:
<http://www.youtube.com/watch?v=uM2a9e4dbZM>
- Vídeo «Como se faz o café....»:
http://www.youtube.com/watch?v=v7D2EstmYhM&feature=mfu_in_order&list=UL
- Vídeo «Delta Cafés Caso de Sucesso: Jornal da Noite da SIC»:
<http://www.youtube.com/watch?v=kHxR3HeAcbo>

The company

Delta Cafés is a Portuguese company specialized in roasting, packaging and marketing of coffee. It is based in Campo Maior, Alentejo, and is part of the Group Nabeiro.

This company was founded in 1961 by Commander Nabeiro Rui, in a small warehouse of 50m2, with two balls roasting with 30kg capacity and three employees.

In the second half of the 70 consolidated its business with adaptation to new market demands: developing new products and quality services globally.

Delta Cafés is a market leader in Portugal since 1994. It is present in 40 countries, with greater presence in Spain, a country which has 16 department stores. This company selects sources (coffee beans) from the four corners of the world. It has 41.000 direct customers and 3.000 employees.

It is considered a management company with a human face, adopting the philosophy from the beginning 'A Client A Friend', based on values such as Honesty, Loyalty, Humility, Total Quality Management, Solidarity and Citizenship. Adopts and pursues a responsible attitude towards the future of the planet.

Delta Cafés received the first distinction in Portugal for Social Responsibility. The campaign «A coffee Timor" was the campaign that gave more visibility to the company in the area of Social Responsibility.

Delta Cafés is, for several years, a trusted brand in the European Most Trust Brands Study, the Reader's Digest. The NovaDelta SA was the first company certified in their field by the NP 29002 system standards.

For all this, Delta Cafés is recognized as a mark of Human Face.

Questions

1. The accounts and the analysis of transactions

- a) What is an account?
- b) Give examples of accounts that could be included in the Balance sheet of Delta cafés. What those accounts represent?
- c) What are the main principles to be aware when someone is analyzing the transactions of Delta cafés?
- d) Suppose that you decide to start a business of roasting and sale of coffee in the same business area of Delta Cafés. You chose the firm name: **Telda Coffee & Tea, SA**. Before beginning the operations that will enable you to obtain a profit (*operational activities*), first you need to obtain *financing*, to “design your business”, e.g., to *invest*. Assume that occurred, among others, the following transactions:

1. Constitution of **Telda Coffee & Tea, SA**: share capital is 350.000 u.m. This capital was fully paid in cash in the bank Narta.
2. Purchase of factories by the amount of 150.000 u.m. for cash.
3. Purchase of a line production for roasting and packaging of coffee by the amount of 120.000. Buying on credit, payable two years later.
4. Acquisition of a license to operate a coffee farm in East Timor for a period of 20 years. The acquisition cost was 100.000 and was paid cash.
5. Acquisition of a patent to produce gourmet coffee with rice flavor. Paid by cash, 50.000 u.m.
6. Borrow from banks, amounting 80.000 u.m., to be payable in annual installments. The first installment will be paid just at the end of the second year of activity of this company.
7. Acquisition of a financial investment in another company that distributes coffee products. With this company will be celebrated an arrangement to exclusively distribute coffees from **Telda, SA** in the Spanish market. This acquisition was made at prompt payment by 60.000 u.m.

Identify the effect of each one of these transactions in asset accounts, liability accounts and equity accounts of Telda Coffee.

2. Record the effect of each transaction: journal entries and T-account

- a) What is a journal entry?
- b) Record the transaction of Telda Coffee in the Journal entry.
- c) What is the difference between journal entries and general ledger (T-account)?
- d) Record each transaction in general ledger and compute the balance of each account.
- e) Prepare the Balance sheet of Telda Coffee after all the transactions recorded.

Soares da Costa: tradition in construction

In 1918, José Soares da Costa founded his company in Rua do Almada, Porto, which was dedicated to performing high quality finishes and paints using fine gold. Today, Soares da Costa is dedicated to the construction, concessions, to real estate and energy services. It has presence in international markets such as Angola, Mozambique and the United States of America (USA), presenting constructions on four continents. However in 2014 the Soares da Costa brand has changed and because of that the company was renamed to SDC Investimentos, SGPS, SA.

After several years the company has been transformed into an anonymous company in 1968 and opened its capital to the public in 1986 and is listed on the then Stock Exchange of Lisbon (now Euronext). The 80's is crucial for the development of the Group, starting their internationalization. The next decade is marked by increasing specialization of the company in large engineering and public works and the consolidation of a strong strategy of internationalization and diversification of activity that are characteristic of the group today.

The growth of activity leads, in 2002, to a restructuring and reorganization of the company, consisting of a holding company (SGPS), the Grupo Soares da Costa, SGPS., SA, with registered capital of 160 million Euros, and with four subsidiaries (SGPS) in each of its business namely: construction, concessions, industry and real estate.

In 2006, Soares da Costa family sells its entire stake to Investifino Group, which becomes the majority shareholder. The management company adopts a professional character and for the first time the turnover generated internationally represented more than 50% of the total. The Group's activities abroad have been increasing in importance, representing 85% of turnover in 2013 (70.5% in 2012).

The business

Construction

Includes the construction of residential buildings, offices and hotels and tourism, as well as the restoration and refurbishment of buildings. Also includes the construction of infrastructure including education, culture and sport, industrial, health care, airports, roads, highways, flyovers, bridges, tunnels, railways, hydraulic, environmental and other urban infrastructure.

Concessions

Includes transport concessions, for example, to grant the highway da Beira Interior (A23) in operation since 2003, the sub-licensing Freeway Transmontana since 2008 and the parking concessions.

⁶ Source: www.sdcinvestimentos.pt. The names, trademarks and logos are the property (s) organization (s) set (s) in this case, which we appreciate the understanding, cooperation and courtesy. This case was built on an academic perspective. Some of the information and issues presented are purely hypotheticalal.

Real estate

Includes the operation and management of used properties, as well as some office buildings and hotels.

Questions:

1. Classification of Statement of Financial Position elements

a. Assume, hypothetically, that the statement of financial position of Soares da Costa at the end of 2013 includes, among others, the following elements. Rank them in current assets, non-current assets, current liabilities and non-current liabilities.

Assets and liabilities
"Construction site" for construction of a school
Tools for use in building
Materials for use in the works
Concession of car parks
Concession of roads
Office building
Machinery for use in the construction
Office furniture
Loans payable in 2015 or later
Loans payable in 2014
Building leased to a consultant
Hotel leased to a catering company
Accounts payable to suppliers
Receivables from customers
Receivables from income tax

- b. From the list, indicate which are tangible assets, intangible assets and investment properties for the company Soares da Costa.

2 Effect of investment transactions and financing

Assume, hypothetically, that in the 1st half of 2014 Grupo Soares da Costa made, among others, the following transactions (in thousands of euros). Identify the effect of each of these transactions in the journal and in the ledger.

1. Obtaining a loan to cover the investment in a new project (dam) in the amount of 5.800, payable in five annual installments of 1.160 each.
2. Installation of construction site required for the dam, at a cost of 1.000, of which 100 are still payable.
3. Increase of Capital to finance part of the construction of the dam, amounting 5.000.

4. Acquisition of a machine that will be used in the construction of the dam in the amount of 10.000, of which 5.000 will be paid only in 2015.
5. Engaging in a concession agreement to explore the operations of car parking in Lisbon, for 20 years. The cost of the concession was 200, with immediate payment.
6. Distribution of a portion of the net income generated in the year 2013, amounting to 50.