

 <b>ISCTE IUL</b> Instituto Universitário de Lisboa	<b>FINANCIAL ACCOUNTING I</b>
--	-------------------------------

**Type of Evaluation:** Test / Final sitting

**Date:** 6th January 2014

**Length:** 2 hours and 15 minutes

**NAME (full)** \_\_\_\_\_

**Student number** \_\_\_\_\_ **Class** \_GAi\_ **Course** \_\_\_\_\_ **Management** \_\_\_\_\_

**Ordem number** \_\_\_\_\_

**Select the type of evaluation you are going to do:**

☐

**Test**

☐

**Exam**

Group I – All students	Classification	AACSB
Question I.1		
Question I.2 _A		
Question I.2 _B		
Question I.3		
Total group I		
Group II – TEST		
Question II.1		
Question II.2		
Question II.3		
Total group II		
Group II – EXAM		
Question II.1		
Question II.2		
Question II.3		
Total group II		
TOTAL		

## Informations

**1. This statement is divided into two groups:**

**Group I:** mandatory for all students

**Group II – Test:** mandatory for those students who are included in continuous evaluations

**Group II – Exam:** mandatory for those students who were excluded from continuous evaluations (and, also, for those who wants to give up from continuous evaluation)

2. The test is individual. Any behavior that infringes upon the individual assessment will be penalized and the test is nullified.
3. Students must carry only identification, pencil, eraser, pen and calculator with simple math or science.
4. **Graphical or programmable calculators or any electronic and / or entertainment equipment such as, mobile phone, smartphone, MP3, tablet or similar are not allowed.**
5. When asked, justify your answers and / or present the auxiliary calculations, otherwise the answers will not be considered.
6. **There are doubts clarified during the test. If necessary, take a presupposition and indicate it, justifying.**
7. At the end of the test, the student must return the statement, which can not be, in any case, unstapled.

## GROUP I – 8,0 Points (45 minutes)

### Mandatory for all students

#### Question I.1:

Comments the following statements, indicating if they are true or false in the correct column:

Answer to question I.1:			
Statements	T	F	Comment/Justification
<i>"The FIFO is a criteria that intends to measure the entry of inventories in the warehouse"</i>			
<i>"The goal of the income statement is to show the financial position of a company"</i>			
<i>"The cash-flow from investment activities shows the company's ability to generate cash from purchases and sales of inventory"</i>			

### Question I.2:

A company that operates gambling concession, holding interests in the tourism sector, Real Estate, and gaming activities at casinos, presented the following balance, in which some values are missing, specifically:

- Marked with **xxxxxxxx**;
- Marked with capital letters (**A, B, C, D, E, X, Y**).

(Euros)		
	2012	2011
<b>NON-CURRENT ASSETS:</b>		
Fixed tangible assets	108.877	113.029
Intangible assets	101.029	115.604
Investment Properties	221	227
Other non-current assets	2.498	2.207
<b>Total non-current assets</b>	<b>212.625</b>	<b>231.067</b>
<b>CURRENT ASSETS:</b>		
Inventories	Y	4.989
Customers	X	446
Other current assets	3.640	11.698
Cash and cash equivalents	9.781	A
<b>Total current assets</b>	<b>xxxxxxxx</b>	<b>25.287</b>
<b>Total assets</b>	<b>xxxxxxxx</b>	<b>256.354</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>		
<b>SHAREHOLDERS' EQUITY</b>		
Capital (contributed)	59.968	59.968
Legal reserves	13.727	13.727
Retained earnings and other reserves	xxxxxxxx	12.010
Net income	-8.986	B
<b>Total shareholders' equity</b>	<b>xxxxxxxx</b>	<b>C</b>
<b>LIABILITIES</b>		
<b>NON-CURRENT LIABILITIES:</b>		
Borrowings	10.177	D
Provisions	9.551	xxxxxxxx
<b>Total Non-current assets</b>	<b>19.728</b>	<b>E</b>
<b>CURRENT LIABILITIES:</b>		
Borrowings	109.697	113.813
Other accounts payables	xxxxxxxx	45.993
<b>Total current liabilities</b>	<b>xxxxxxxx</b>	<b>159.806</b>
<b>Total liabilities</b>	<b>xxxxxxxx</b>	<b>178.957</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIAB.</b>	<b>xxxxxxxx</b>	<b>256.354</b>

Imagine that the company hired you for the Accounting department. The first challenge was trying to identify the values marked with capital letters in the above balance sheet. (**Note: No need to calculate the amounts indicated by xxxxxxxx**)

**Requests:**

**I.2. A:** Based on the column for year 2011, and after reading additional notes provided below, calculate, justifying all your computations or other justifications, the amounts for the capital letters **A,B,C,D e E**.

**Additional notes:**

**Note 1** – From the statements of cash flows the following informations were withdrawn the following amounts:

Cash and cash equivalents at the beginning of 2010..... 10.357 €  
Variation in cash flows (2011) -2.203 €

**Note 2** – Total borrowings are 126.403€

**Answer to question I.2\_A:**

A=	
B=	
C=	
D=	
E=	

**I.2 B:** You were also challenged to find part for missing values presented in the year 2012. To this end, the following information was given:

- To identify the amount of **the letter X**, you need to know that the company received in 2012, half of the debts from customers on hand in late 2011. And, further, it still not received 70 € from sales and service of the year 2012, and having been recorded an impairment loss of 20 um
- To identify the amount of **the letter Y** need to know that the company, in 2012, acquired inventories for 2.066 € and Cost of Goods Sold was 2.154 €.

**Answer to question I.2\_B:**

X=	
Y=	

**Question I.3:**

A company that buys and sells properties acquired on January 2, 2013, two floors of a building, having paid immediately by bank transfer, € 2.000.000, corresponding to 1.000.000 € / floor. The company management decided that:

- One of the floors will be for sale in the normal course of its activities;
- Other, will be occupied by the company, which installs a new administrative office;

On December 31, 2013 it was found that, given the recent changes in the housing market, the net realizable value of the floor for sale was € 900.000. Consider also that the company depreciates tangible fixed assets (buildings) in 50 years.

**Request:**

**I.3\_A:** Journalize the operations you think are necessary to be done in January 2, 2013.

**Answer to question I.3\_A:**

Date	Description	Debit	Credit	Amount
2 Jan.				

**I.3\_B:** Journalize the adjustments entries you think are necessary to be done in December 31, 2013.

**Answer to question I.3\_B:**

Date	Description	Debit	Credit	Amount
31Dez.				

**I.3\_C:** Based on operations I.3\_A and I.3\_B, OR with other type of operations, give an example of one decision/transaction/event that can occur in 2014, causing an impact on the financial statements indicated in the table below:

		Answer to question I.3_C:
Financial Statement	Type of impact	Example:
Balance Sheet	Increases borrowings	
Income Statement	Reversals of impairment losses	
Statment of Cash Flows	Receipt from operating activities	

## **GROUP II – 12,0 Points (90 minutes)**

### **Mandatory for those students who are included in continuous evaluations**

#### **Question II.1:**

The company DLX buys and sells surfboards “top notch”. In 31<sup>st</sup> December 2012 presents the following information about inventories on hand in the warehouse:

- Inventories at the end of 2012: 60 surfboard, 300€/each (acquisition 1), and 30 surfboards, 340€/each (acquisition 2)

During the year 2013, there were the following events:

**12.03.2013** → Sales, prompt payment: 75 surfboards for 500€/each. The cost of goods sold was 23.500€.

**15.06.2013** → Acquisition, on credit: 50 surfboards with a total price of 17.500€.

**20.07.2013** → Sales, prompt payment: 20 surfboards for 500€/each. The company decided to give a 10% trade discount.

**30.10.2013** → Acquisition to a supplier in a foreign country: 40 surfboards for 360€/each. The company paid immediately by check just the recoverable taxes from the State (3.000€) and the cost of transportation (800€). The supplier will only receive immediately 40% of the surfboard sold, and the remaining will be received after 90 days.

**15.11.2013** → The customer who acquired surfboards in 20.7.2013 returned 5 surfboards because they present significant damage due to inadequate packaging.

By mistake, the company has not recorded the effects of the following situations occurred during the month of December 2013:

**1.12.2013** → The company leased a warehouse to another company and received income from December 2013 and January and February of the following year (2014), amounting to € 3.000.

**31.12.2013** → The consumption of water, electricity and telephone for the month of December 2013 will be paid only in January 2014. The estimated value of consumption is € 3.000.

**31.12.2013** → Processing and payment of employee costs for December 2013 amounted to € 12.000. The Taxes/fees on behalf of the employees are € 4.000 and are paid to the State by the 20th day of the following month.

**Requests:**

**I.1 A:** After analyzing the event/transaction indicated in 12 March 2013, identify the Inventory Method used to measure the outflows from the warehouse. Justify your answer.

Answer to Question II.1_A

**II.1 B:** Record all the journal entries for all the events and transactions occurring between 1 January and 31 December 2013, taking into consideration that the company uses the perpetual inventory system.

**Answer to Question II.1\_B:**

[illegible]


**II.1\_C:** Based on the all the events and transactions of 2013, compute, presenting all your computations, the amount of:

- Operating result (EBIT)
- Cash flow from operating activities

**Answer to Question II.1\_C:**

Operating result (EBIT) =	
Cash flow from operating activities =	

**QUESTION II.2:**

Another company, company XPTO, produces and sells aluminum doors. In 1 January 2013 acquired the following resources that are used during the business cycle:

Item	Cost of acquisition	Useful life	Residual value
Manufacturing equipment	120.000€	10 years	20.000€
Transportation vehicles	9.000€	5 years	1.500€
Computers	3.200€	5 years	---
Software for computers	750€	3 years	---

In 1 July 2013 the company acquired (on credit) office furniture amounting € 40.000, with a estimated useful life of 10 years.

**Requests:**

**II.2 A:** Identify (computing) the depreciation expense to be recorded at the end of 2013.

**II.2 B:** Identify the carry amount (at which the resources will be presented in the assets) at the end of 2013.

Answer to Question II.2_A

Answer to Question II.2_B

**Question II.3:**

The company ELWETROLUX sells office furniture to other companies. On 2 January 2013 recorded accounts receivable from customers amounting € 196.162,4 divided as follows:

- 60.000€ are from sales, and this amount is collected in 30 days.
- 136.162,4 € are from installment sales, and this amount will be collected in 3 annual installments of 50.000€/each, being the first one received in the next year. The interest rate is 5%.

Just based on this information, indicate, in December 31, 2013 and 2014, which amount will be presented under "Customers", "Cash and cash deposits", "Sales" and "Interest and Financial revenues".

**Answer to Question II.3:**

	<b>31.12.2013</b>	<b>31.12.2014</b>
<b>Customers</b>		
<b>Cash and cash deposits</b>		
<b>Sales</b>		
<b>Interest and Financial revenues</b>		

---

## **GROUP II – 12,0 Points (90 minutes)**

**Mandatory for those students who are excluded from continuous evaluations** (and, also, for those who wants to give up from continuous evaluation)

### **Question II.1:**

The company DLX buys and sells surfboards “top notch”. In 31<sup>st</sup> December 2012 presents the following information about inventories on hand in the warehouse:

- Inventories at the end of 2012: 60 surfboard, 300€/each (acquisition 1), and 30 surfboards, 340€/each (acquisition 2)

During the year 2013, there were the following events:

**12.03.2013** → Sales, prompt payment: 75 surfboards for 500€/each. The cost of goods sold was 23.500€.

**15.06.2013** → Acquisition, on credit: 50 surfboards with a total price of 17.500€.

**20.07.2013** → Sales, prompt payment: 20 surfboards for 500€/each. The company decided to give a 10% trade discount.

**30.10.2013** → Acquisition to a supplier in a foreign country: 40 surfboards for 360€/each. The company paid immediately by check just the recoverable taxes from the State (3.000€) and the cost of transportation (800€). The supplier will only receive immediately 40% of the surfboard sold, and the remaining will be received after 90 days.

**15.11.2013** → The customer who acquired surfboards in 20.7.2013 returned 5 surfboards because they present significant damage due to inadequate packaging. The company assumed the responsibility for the loss and wrote down the surfboards from the warehouse after the return.

By mistake, the company has not recorded the effects of the following situations occurred during the month of December 2013:

**1.12.2013** → The company leased a warehouse to another company and received income from December 2013 and January and February of the following year (2014), amounting to € 3.000.

**31.12.2013** → The consumption of water, electricity and telephone for the month of December 2013 will be paid only in January 2014. The estimated value of consumption is € 3.000.

**31.12.2013** → Processing and payment of employee costs for December 2013 amounted to € 12.000. The Taxes/fees on behalf of the employees are € 4.000 and are paid to the State by the 20th day of the following month.

**Requests:**

**Requests:**

**II.1 A:** After analyzing the event/transaction indicated in 12 March 2013, identify the Inventory Method used to measure the outflows from the warehouse. Justify your answer.

Answer to Question II.1_A

**II.1 B:** Record all the journal entries for all the events and transactions occurring between 1 January to 31 December 2013, taking into consideration that the company uses the perpetual inventory system.

**Answer to Question II.1\_B:**

date	Description	Debit	Credit	Amount


**II.1\_C:** Based on the all the events and transactions of 2013, compute, presenting all your computations, the amount of:

- Operating result (EBIT)
- Cash flow from operating activities
- Gross profit (%)

**Answer to Question II.1\_C:**

Operating result (EBIT) =	
Cash flow from operating activities =	
Gross Profit (%) =	

## QUESTION II.2:

Item	Cost of acquisition	Useful life	Residual value
Manufacturing equipment	120.000€	10 years	20.000€
Transportation vehicles	9.000€	5 years	1.500€
Computers	3.200€	5 years	---
Software for computers	750€	3 years	---

On 1 July 2013, the company acquired (on credit) office furniture amounting € 40.000, with an estimated useful life of 10 years.

**II.2 A:** Identify (computing) the depreciation expense to be recorded at the end of 2013.

**II.2 B:** Identify the carry amount (at which the resources will be presented in the assets) at the end of 2013.

**II.2 C:** Explain the impact, on the Balance Sheet and on the Income Statement, of the two transactions occurred in 1 July 2013.

[illegible]

Answer to Question II.2_B

Answer to Question II.2_C

### Question II.3:

The company ELWETROLUX sells office furniture to other companies. On 2 January 2013 recorded accounts receivable from customers amounting € 196.162,4 divided as follows:

- 60.000€ are from sales, and this amount is collected in 30 days.
- 136.162,4 € are from installment sales, and this amount will be collected in 3 annual installments of 50.000€/each, being the first one received in the next year. The interest rate is 5%.

Just based on this information, indicate, in December 31, 2013 and 2014, which amount will be presented under "Customers", "Cash and cash deposits", "Sales" and "Interest and Financial revenues".

### Answer to Question II.3:

	31.12.2013	31.12.2014
<b>Customers</b>		
<b>Cash and cash deposits</b>		
<b>Sales</b>		
<b>Interest and Financial revenues</b>		

List of Accounts*				
Assets	Liabilities	Shareholders equity	Revenues	Expenses
<ul style="list-style-type: none"> <li>• Tangible fixed assets</li> <li>• Intangible assets</li> <li>• Financial investments</li> <li>• Investment properties</li> <li>• Goods (Inventories)</li> <li>• Raw materials (Inventories)</li> <li>• Finished products (or goods) (Inventories)</li> <li>• Customers, or Clients, or Trade Accounts</li> <li>• Other Accounts receivables*</li> <li>• State (Accounts receivable from...)</li> <li>• <b>Deferrals (of expenses)</b></li> <li>• Work in progress (Inventories)</li> <li>• Biological assets</li> <li>• Cash</li> <li>• Cash deposits or Bank deposits</li> <li>• Other deposits</li> <li>• Other financial instruments</li> </ul>	<ul style="list-style-type: none"> <li>• Suppliers (or accounts payables to suppliers or Trade creditors)</li> <li>• Employees (Accounts payables to...)</li> <li>• State (Accounts payables to...)</li> <li>• Bank loans (short term)</li> <li>• Bank loans (long term)</li> <li>• Other accounts payables*</li> <li>• <b>Deferrals (of revenues)</b></li> <li>• Provisions</li> </ul>	<ul style="list-style-type: none"> <li>• Capital (contributed), or share capital</li> <li>• Reserves (legal and others)</li> <li>• Retained earnings</li> <li>• Other changes in the SE</li> </ul>	<ul style="list-style-type: none"> <li>• Sales</li> <li>• Services rendered</li> <li>• Production variation</li> <li>• Works on progress (for the entity)</li> <li>• Operating subsidies</li> <li>• Other revenues</li> <li>• Reversals of impairment</li> <li>• Interest revenue</li> <li>• Financial Income</li> </ul>	<ul style="list-style-type: none"> <li>• Cost of Sales (cost of goods sold and consumed materials)</li> <li>• External Supplies and Services (third part supplies and services)</li> <li>• Employees expenses</li> <li>• Depreciation expense</li> <li>• Impairment losses</li> <li>• Provision expense</li> <li>• Financial Expenses</li> <li>• Other expenses</li> </ul>
			<ul style="list-style-type: none"> <li>• Net income</li> </ul>	
* Adapted from SNC				

\*Other accounts receivables: includes: - Accrued revenues

\*Other accounts payables: includes: - Investment Suppliers  
- Accrued expenses