

 ISCTE IUL Instituto Universitário de Lisboa	FINANCIAL ACCOUNTING I
--	-------------------------------

Type of assessment: Exam

Date: 19 January 2015

Time allowed: 2 hours

NAME (full) _____

Student number: _____ **Course:** _____ **Class:** _____

Exam number: _____ **Grade:** _____

Groups	Grade
I	
II	
Total:	

Information:

1. At the end of the test, the student must return the statement, which cannot be, in any case, unstapled.
2. Whenever asked, justify your answers and / or present the auxiliary calculations, otherwise the answers will not be considered.
3. There are no doubts clarified during the test. If necessary, take a assumption and indicate it, justifying.
4. Graphical or programmable calculators or any electronic and / or entertainment equipment such as, mobile phone, smartphone, MP3, tablet or similar are not allowed.

GROUP I – 8 Points (50 minutes)

Indicate the answer to each of the following questions **in the table** presented for resolution.

Each correct answer: 0.8 points.

Wrong answers: are penalized at 0.2 points.

Blank answers: not penalized.

Several answers to the same question: considered wrong answer.

Question	A	B	C	D	E
1				X	
2				X	
3			X		
4				X	
5			X		
6		X			
7				X	
8		X			
9			X		
10				X	

1

Which of the following statements describes the objective of financial accounting:

- A - Provide useful information about the past and the future of the company
- B - Provide useful information about the strategies of the company
- C - Provide useful information for the analysts of the company
- D - Provide useful information for a wide range of external users
- E - None of the above

2

Which of the following financial statements provide information about the performance of an entity?

- A - Balance sheet and statement of cash flows
- B - Balance sheet and income statement

- C - Income statement and statement of cash flows
- D - Statement of comprehensive income
- E - None of the above

3 Which of the following financial statements provide information about relative to a certain point/moment of time:

- A - Income statement
- B - Statement of other comprehensive income
- C - Statement of financial position
- D - Statement of cash flows
- E - None of the above

4 The resources controlled by an entity:

- A - Are always financed by the shareholders of that entity
- B - Are, in most cases, financed by the employees of that entity
- C - Are, in most cases, financed by the suppliers of that entity
- D - Are financed by shareholders and creditors of that entity
- E - None of the above

5 The shareholders' equity of an entity:

- A - Is always lower than the assets of that company
- B - Is always lower than the liabilities of that company
- C - Is, usually, lower than the assets of that company
- D - Is, usually, lower than the liabilities of that company
- E - None of the above

6 Which of the following transactions implies at the same time a decrease in cash and a decrease in shareholders' equity??

- A - Acquisition, prompt-payment, of an industrial equipment
- B - Acquisition, prompt-payment, of fuel directly filled into the vehicle's tank
- C - Acquisition, prompt-payment, of raw materials
- D - Re-payment of a bank loan
- E - None of the above

7 Which of the elements are usually presented in the Balance sheet classified as current assets or current liabilities?

- A - Fruit held for consumption and fruit trees
- B - Sales and account receivable from clients
- C - Merchandises and payment to suppliers
- D - Cash and accounts payable to the State concerning the income taxes
- E - None of the above

8 The company X presents its revenues and expenses:

- A -** In the income statement, because it applies IASB standards.
- B -** In the statement of comprehensive income, because it applies IASB standards.
- C -** In the income statement and in the statement of other comprehensive income, because it applies (Portuguese standard system).
- D -** In statement of comprehensive income, because it applies the SNC.
- E -** None of the above.

9 Which of the following information must be included in the statement of cash flows, specifically included in the cash flows from operational activities:

- A -** Sale of merchandises
- B -** Re-payment of a bank loan
- C -** Payment to employees
- D -** Receipt of dividends
- E -** None of the above

10 Which of the following information is not mandatory to be included in the Notes (as part of financial statements) presented by an entity:

- A -** Identification of the entity
- B -** The accounting policies employed by the company
- C -** Complementary information about fixed tangible assets of the entity
- D -** Additional information on the entity' sales forecast
- E -** None of the above

GROUP II – 12 Points (70 minutes)

The following tables present the Income Statement and the Statement of Financial Position of a group whose parent company is listed on the stock exchange. These financial statements are presented in Euros and have been prepared in accordance with IFRS.

	Notes	2013	2012 Restated (Note 4)
REVENUES			
Services rendered	6	2,736,475,000	2,897,903,518
Sales	6	131,116,168	140,535,973
Other revenues	6	43,591,728	40,520,473
	6	2,911,182,896	3,078,959,964
COSTS, LOSSES AND (INCOME)			
Wages and salaries	8	399,282,587	413,625,772
Direct costs	9	458,795,641	457,394,347
Costs of products sold	10	134,801,746	138,098,682
Marketing and publicity		68,487,812	72,162,740
Supplies, external services and other expenses	11	619,296,236	640,593,782
Indirect taxes	13	42,304,690	43,762,487
Provisions and adjustments	42	25,828,265	23,267,253
Depreciation and amortisation	36 and 37	726,275,626	765,258,046
Post retirement benefits costs	14	40,462,686	57,540,318
Curtailment costs	14	127,052,643	2,366,806
Gains on disposal of fixed assets, net	37	(3,356,327)	(3,467,847)
Net other gains	15	(73,441,554)	(23,419,701)
		2,565,790,051	2,587,182,685
Income before financial results and taxes		345,392,845	491,777,279
FINANCIAL LOSSES AND (GAINS)			
Net interest expenses	16	257,423,261	213,014,581
Net foreign currency exchange losses	17	21,919,104	1,841,496
Net losses on financial assets and other investments	18	2,014,467	3,921,932
Equity in losses of joint ventures	30	2,185,679	3,011,998
Equity in earnings of associated companies, net	33	(442,783,587)	(210,273,584)
Net other financial expenses	19	54,635,427	44,565,085
		(104,605,649)	56,081,508
Income before taxes		449,998,494	435,695,771
Income taxes	20	62,021,888	125,608,091
NET INCOME		387,976,606	310,087,680
Attributable to non-controlling interests	21	56,995,651	84,283,899
Attributable to equity holders of the parent	23	330,980,955	225,803,781

	Notes	2013	31 Dec 2012 restated (Note 4)
ASSETS			
Current Assets			
Cash and cash equivalents		1,658,950,514	1,988,797,138
Short-term investments	24	914,128,757	625,997,788
Accounts receivable - trade	25	762,936,473	796,790,630
Accounts receivable - other	26	406,451,496	397,056,981
Inventories	27	85,872,948	104,925,533
Taxes receivable	28	70,932,459	71,629,843
Prepaid expenses	29	65,244,104	62,414,088
Other current assets	31	3,985,415	2,926,270
Non-current assets held for sale	32	4,653,741	51,940,968
Total current assets		3,973,155,907	4,102,479,239
Non-Current Assets			
Accounts receivable - trade		204,316	380,879
Accounts receivable - other	26	1,080,306	2,432,547
Taxes receivable	28	24,739	59,313
Investments in joint ventures	30	2,408,246,860	2,980,060,567
Investments in associated companies	33	511,316,161	406,817,985
Other investments	34	22,243,652	12,720,059
Goodwill	35	380,616,265	425,675,169
Intangible assets	36	717,703,676	757,526,560
Tangible assets	37	3,438,479,384	3,578,871,446
Post retirement benefits	14	1,834,000	1,632,840
Deferred taxes	20	564,894,918	560,400,812
Other non-current assets	31	594,998	-
Total non-current assets		8,047,239,275	8,726,578,177
Total assets		12,020,395,182	12,829,057,416
LIABILITIES			
Current Liabilities			
Short-term debt	38	1,491,976,460	1,395,699,063
Accounts payable	39	568,270,540	659,908,233
Accrued expenses	40	534,656,119	489,532,644
Deferred income	41	246,784,244	266,570,421
Taxes payable	28	80,107,942	81,917,507
Provisions	42	88,789,844	97,209,264
Other current liabilities	43	13,980,981	3,926,327
Total current liabilities		3,024,566,130	2,994,763,459
Non-Current Liabilities			
Medium and long-term debt	38	5,879,161,433	5,979,435,957
Accounts payable	39	19,470,144	22,085,671
Taxes payable		-	-
Provisions	42	2,271,075	2,996,530
Post retirement benefits	14	960,880,069	835,367,127
Deferred taxes	20	243,824,693	270,391,146
Other non-current liabilities	43	23,406,523	186,760,584
Total non-current liabilities		7,129,013,937	7,297,037,015
Total liabilities		10,153,580,067	10,291,800,474
SHAREHOLDERS' EQUITY			
Share capital	44	26,895,375	26,895,375
Treasury shares	44	(337,520,916)	(337,520,916)
Legal reserve	44	6,773,139	6,773,139
Reserve for treasury shares	44	6,970,320	6,970,320
Revaluation reserve	44	516,587,428	524,724,045
Other reserves and accumulated earnings	44	1,421,614,031	2,076,740,633
Equity excluding non-controlling interests		1,641,319,377	2,304,582,596
Non-controlling interests	21	225,495,738	232,674,346
Total equity		1,866,815,115	2,537,256,942
Total liabilities and shareholders' equity		12,020,395,182	12,829,057,416

I. Please, identify, with a cross in the table, the true and the false statements about this entity (based on year 2013).

Correct answer: 0,3 points; wrong answer: penalization 0.15 points.

Not answered: no penalization.

Statements	T	F
This entity develops a commercial activity and rendering of services	X	
The financial result of this entity is negative.		X
This entity does not have recoverable taxes from the State.		X
The assets of this entity are financed mainly by its shareholders.		X
The assets with greater weight in this entity are tangible fixed assets, which may include, for example, pipes and vehicles held for use in providing services.	X	
This entity began operating in 2012.		X

II. Answer the following questions about inventories (merchandises) of this entity:

- A. Assuming that the inventories presented on December, 31, are merchandises held for sale in this date, and assuming that no impairment losses in inventories occurred, calculate the amount of “acquisition of inventories” for the year 2013.

II.A
Acquisition = 115.749.161 euros = Inventory at end (85.872.948) + Cost of goods sold(134.801.746) - Inventory at beginning (104.925.533)

- B. Identify the costing methods for measure the outflow of inventories that could be used by this entity.

II.B
Weighed average cost (WAC) or FIFO.

III. Assume, hypothetically, that the following transactions were not yet included in the financial statements of this entity at the end of 2013:

1. Rendering services amounting 420.000 euros, and will be received in April 2014. In credit normal conditions the amount would be 400.000 euros.
2. Capital increase in the amount of 15.000.000 euros, paid in cash through a bank deposit.
3. Use of services during the year 2013, whose value will only be billed for the service provider company in January 2014. The estimated amount payable for services amounts to 60.000 euros.
4. Payment of dividend to shareholders amounting 6.000.000 euros.
5. Obtaining a bank loan in May, 1, 2013, amounting 4.000.000 euros, to be reimbursed in 10 equal semi-annual installments starting in November, 1, 2013. The interests on this bank loan will be paid also in arrears (semi-annual) and the semi-annual rate is 2%.
6. Receipt of interests amounting 600.000 euros due to a financial investment comprising the period between 01.November.2012 and 01.November.2013. The journal entries for 2012 were correctly made that year.
7. Acquisition of a warehouse for 1.500.000 euros, at the end of March/2013, with immediate payment. The company expects to use this warehouse until de end of March of 2028.

A. Record in journal entries the effect of each one of the transactions above.

Nº	Description	Debit	Credit	Amount
1	Services rendered to others	Clients	Services rendered	400.000
2	Increase of capital	Cash deposits	Capital	15.000.000
3	Use of services	External supplies and services	Other accounts payable	60.000
4	Payment of dividends	Retained earnings	Cash/ Cash deposits	6.000.000
5a	Bank Loan obtained	Cash deposits	Fin. Obtidos	4.000.000
5b	Reimbursement of bank loan	Bank loans	Cash deposits	400.000
5c	Payment of interest expenses	Interest expenses	Cash deposits	80.000
5d	Interests of the period to be paid in the future	Interest expenses	Other accounts payable	24.000
6a	Receipt of interests	Cash/ Cash deposits	Other accounts receivable	100.000
6.b	Receipt of interests	Cash/ Cash deposits	Interests revenues	500.000
7a	Acquisition of warehouse	Fixed tangible assets	Cash/ Cash deposits	1.500.000
7b	Depreciation of warehouse	Gastos Depr.	Fixed tangible assets	75.000

B. Identify the impact of each one of those 7 transactions on the cash flows from operating activities, cash flows from financing activities and cash flows from investing activities for the year 2013. Identify also the amount.

Impacts
Transaction 1: No impact
Transaction 2: cash flows from financing activities = +15.000
Transaction 3: No impact
Transaction 4: cash flows from financing activities = -6.000
Transaction 5: cash flows from financing activities = + 3.520.000 = 4.000.000 – 400.000 – 80.000
Transaction 6: cash flows from investment activities= +600.000
Transaction 7: cash flows from investment activities= -1.500.000

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

*Other accounts receivables: includes: - Accrued revenues

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