

# **Financial Accounting I**

2014/2015

GAi

## **Group Work**

Solution



### Questions :

#### 1. Financial Statements

- a. What are the consolidated financial statements presented by Sonae Investimentos?

Consolidated:

Statement of financial position

Income statement

Statement of comprehensive income (or... other comprehensive income)

Statement of changes in the shareholders equity

Statement of cash flows

Notes

- b. What is the main category of current assets and non-current assets of Sonae Investimentos?  
Give three examples of assets of each of these two categories.

current assets: Inventories.

non-current assets: Fixed tangible assets.

Exemples of inventories: fruit to be sold, detergents,...

Exemples of Fixed tangible assets: stores, warehouses, trucks ...

- c. What are the two main categories of intangible assets of Sonae Investimentos?

Trademarks (industrial propriety) and *software*.

- d. What are the three main sources of financing of Sonae Investimentos?

Three main sources of financing: shareholders' investment, Bonds and Trade creditors.

- e. What is the value of staff costs and depreciation expense of Sonae Investimentos? Discuss the relationship between these two values.

Staff costs: 552.778.429.

Depreciation expense: 157.684.231, ou Gastos de amortização e depreciação: 176.833.990.

The weight of staff costs is very high, being the triple of depreciation expenses. ...

- f. What are the two main categories of expenses that are part of the External Supplies and Services?

Two main categories of expenses: advertising expenses and rents.

- g. Comment on the following statement: "*Sonae Investimentos* only uses stores it owns." Justify your answer.

Probably not, because one of the most important categories of expenses that are part of External Supplies and Services are rents(130.485.134), that probably will include the rents paid by the use of stores that are not owned by *Sonae Investimentos*.

- h. Comment on the following statement: "*Sonae Investimentos* had a poor performance in 2013, but had had an excellent performance in previous years." Justify your answer.

The statement is incorrect. The performance of *Sonae Investimentos* in previous years could be not excellent because the retained earnings (presented in shareholders' equity) are negative, meaning that the Group have losses accumulated from previous years (even that in 2012 had profits).

- i. Whereas the earnings before taxes for 2013 *Sonae Investimentos* is negative, why this company recognizes a tax expense (taxation) on income?

*Sonae Investimentos* recognize in 2013 a tax expense that is related with to the taxes that the company expects to pay in 2014.

The amount of this tax expense is based on the profits/losses before taxes adjusted in accordance with the standards of tax system, and this amount can be different from the amount that could be obtained applying the international accounting standards (IFRS).

- j. How does the *Sonae Investimentos* applied the cash flows from operating activities obtained in the year 2013?

Application of the cash flows from operating activities principally in: acquisition of fixed tangible and intangible assets (investment activities) and payment of loans obtained, interests and dividends (financing activities).

- k. Comment on the following statement: "*Sonae Investimentos* has not contracted any bank loan in the year 2013". Justify your answer.

The statement is incorrect. The statement of cash flows shows a receipt of 3.703.291.238 due to loans obtained.

## 2. Registration of transactions

a) ... Journal entries.

Nº	Description	Debit	Credit	Amount
1	Acquisition of merchandises on credit	Merchandise	Suppliers	5.300
2	Sale of merchandises on credit	Bank deposits	Sales	5.500
		Cost of goods sold...	Merchandise	4.600
3	Staff costs	Employee expenses	-	600
		-	Bank deposits	580
		-	State	20
4	Payment to suppliers	Suppliers	Bank deposits	4.900
5a	Bank loan obtained	Bank deposits	Bank loans	120
5b	Reimbursement of 1st instalment	Bank loans	Bank deposits	15
5c	Payment of interests	Financing (interest) expenses	Bank deposits	6
5d	Accrued expense (bank loan)	Financing (interest) expenses	Other accounts payable.	2,625
6a	Fire insurance (expense 2014)	External supplies and services	Deferals (a)	4,5
6b	Deferral of fire insurance paid in 2014	Deferals (a)	Bank deposits	5
7	Acquisition of new stores	Fixed tangible assets	Outros credores	60
8a	Rent of the stores (january 2014)	External supplies and services	Deferals (a)	3,5
8b	Rent of the stores (feb. to dec. 2014)	External supplies and services	Bank deposits	44
8c	Deferral of rents of the stores (jan. 2015)	Deferals (a)	Bank deposits	4
9	Acquisition of office materials	External supplies and services / fixed tangible assets	Bank deposits	2

10	Depreciation and amortization expenses	Depreciation and amortization expenses	Fixed tangible assets e ai	200
11	Reembursment of bank loan	Bank loans	Bank deposits	56
12	Tax expenses on income	Income tax expense	State	9,34375

b. Present the Income Statement for 2014.

(the format of the statement could be different:)

Sales	5.500
Cost of goods sold and consumed materials	(4.600)
External supplies and services	(54)
Employee expenses	(600)
Depreciation and amortization	(200)
<b>Operating result (EBIT)</b>	<b>46</b>
Financing expenses	(8,625)
<b>Earnings before taxes (EBT)</b>	<b>37,375</b>
Income tax expense	(9,34375)
<b>Net income</b>	<b>28,03125</b>

c. Present the Balance Sheet at the end of 2014.

(the format of the statement could be different:)

	(in millions €)
<b>Assets</b>	
<i><b>Non-current assets</b></i>	
Fixed tangible assets and intangibles	1.845
Goodwill	498
Investments in JV and associates	52
Other investments	13
Deferred tax assets	117
Other non-current assets	23
	2.548
<i><b>Current assets</b></i>	
Inventories	1.288
Trade accounts receivable	43
Taxes recoverable (State...)	63
Other debtors + Other current assets	151
Invesments	0
Cash and cash equivalents	80
	1.625
<b>Total assets</b>	4.173
<b>SE and LIABILITIES</b>	
<b>SHAREHOLDERS' EQUITY</b>	
Capital	1.000
Own shares	(320)
Legal reserve	141
Reservs and retained earnings	(198)
Net income	28,03125
Non-controlling interests	84
<b>Total of SE</b>	735,03125

<b>Non-current liabilities</b>	
Loans	132
Bonds	646
Obligations under finance leases	8
Other loans	0
Other non-current assets	485
Deferred tax liabilities	117
Provisions	30
	1.418
<b>Current liabilities</b>	
Loans	87
Bonds	10
Obligations under finance leases	4
Other loans	1
Trade creditors	1.544
Taxes and contributions payable (State,...)	79,34375
Other loans + Other current liabilities	291,625
Provisions	3
	2.019,96875
<b>Total of SE and Liabilities</b>	4.173