

Financial Accounting I

2014/2015

GAi

Group Work

Statement



Statement

Sonae Investimentos: the image of a leader

Sonae Investments is the company of the Sonae group that aggregates the core activity of the group, namely, food retail (where it leads), and non-food retail. Innovation is part of everyday life of Sonae Investimentos, from the day of its establishment (marked by the opening of the first hypermarket in Portugal).

Sonae Investimentos has about 1.000 stores and 37.000 employees, a turnover of approximately EUR 5.000 million and a growing market share in food retail brands, with a strong contribution of own brands which accounted for about 30% of sales in the relevant categories.

History

Sonae Investments was formed in 1983, at that time under the name *Sonae Distribuição*. In 1985 came the opening of the first hypermarket in Portugal: the “Continente” in Matosinhos, a moment that marks the beginning of the activity of this entity.

In 1991 the first products with the own brand Continent were launched and in 1995 opened the betting in specialized retail (MaxMat, Office Max, Inventory, Sportzone, Worten). In 1997 the entry of specialized retail in Spain was a reality.

Over the next decade, *Sonae Investimentos* held to launch new brands, such as Zippy (clothing and accessory for children), Worten Mobile (sale of mobile telecommunications), the Health Area (sale of products related to health, beauty and well -being), the book.it (books and stationery) and the Loop (shoe chain).

In 2008, begins the internationalization of Worten and SportZone for the Spanish market. International expansion continues with the entry into new markets such as Saudi Arabia, Turkey, Egypt and Kazakhstan.

Financial statements

The financial statements of *Sonae Investimentos* are available for download in the website of the company, <http://www.sonae.pt/en/sonae-investimentos/> and in the website of “Comissão do Mercado de Valores Mobiliários” (www.cmvm.pt)

Download the consolidated financial statements of Sonae Investimentos for the year 2013, and answer each of the following questions.

Questions :

1. Financial Statements

- a. What are the consolidated financial statements presented by Sonae Investimentos?
- 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.
- c. What are the two main categories of intangible assets of Sonae Investimentos?
- d. What are the three main sources of financing of Sonae Investimentos?
- e. What is the value of staff costs and depreciation expense of Sonae Investimentos? Discuss the relationship between these two values.
- f. What are the two main categories of expenses that are part of the External Supplies and Services?
- g. Comment on the following statement: "*Sonae Investimentos* only uses stores it owns." Justify your answer.
- 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.
- i. Whereas the earnings before taxes for 2013 *Sonae Investimentos* is negative, why this company recognizes a tax expense (taxation) on income?
- j. How does the *Sonae Investimentos* applied the cash flows from operating activities obtained in the year 2013?
- k. Comment on the following statement: "*Sonae Investimentos* has not contracted any bank loan in the year 2013". Justify your answer.

2. Registration of transactions

Assume, hypothetically, that *Sonae Investimentos* carried out the following transactions in 2014. Consider that the values are in millions of euros and that payments and receipts were made by bank transfer.

1. Acquisition of merchandises on credit, for 5.300.
2. Sales of merchandises, immediately received, for 5.500. The merchandises were bought by 4.600.
3. Staff cost are 600. Part of this amount is the remuneration of December (50), which includes income taxes deducted to employees and charges for social security (20) that are not yet delivered to the State.
4. Payment to suppliers: 4.900.

5. Obtaining a bank loan in early April 2014, amounting 120. This loan is repayable in 8 semi-annual installments of equal amount. Interest is also payable semiannually at a semiannual rate of 5%.
6. Renewal of fire insurance in the amount of 5. This insurance is paid at the end of December each year and covers risks of fire for the following year. In December 2013, had been paid 4,5.
7. Acquisition of new stores, for 60, payable in three equal instalments in 2015, 2016 and 2017.
8. Payment of the rent of the stores that have been used by the company, amounting 48. This amount includes the rents of January 2015 that were paid in December 2014 amounting 4. The rent of January 2014 was 3,5 and had been paid in December 2013.
9. Acquisition of office supplies amounting 2, with immediate payment.
10. Annual depreciation of fixed tangible assets and amortization of intangible assets were 200.
11. Repayment of a bank loan in the amount of 56. Half of the bank loan classified as non-current at the end of 2013 will be repaid in 2015.
12. The company is subject to an income tax rate of 25%, which is applied on the profit before tax.

Requests:

- a. Record the effect of each of these transaction in Journal entries.
- b. Present the Income Statement for 2014.
- c. Present the Balance Sheet at the end of 2014.

Final observations:

Present your answers in a clear, concise and objective way. Where available, present all the auxiliary calculations.

Present a structured work, with an introduction, development and conclusion.

Delivery of the work:

The work must be submitted until December 9, 2014, on paper, to the teachers of practical classes. The form of delivery shall be agreed with the teacher.

The work must be performed in groups, preferably with 4 elements, but never more than 5 elements.