



Lisbon School  
of Economics  
& Management  
Universidade de Lisboa

# **UNDERGRADUATE DEGREES – MANAGEMENT/FINANCE/ECONOMICS**

**Financial Accounting II**

**EXERCISES - Part 1**

**2026/2027**

**Exercise 1 – Revisions of Financial Accounting**

Select the most correct answer, presenting the calculations when applicable.

1. In accounting, the value of Net Assets (or Net Worth) of a firm is given by:

- a) = Assets – Owners' Equity
- b) = Owners' Equity + Liabilities
- c) = Share capital + Reserves + Retained Earnings
- d) = Assets - Liabilities

2. In January N+1, company "Sports Goods" delivered merchandize to a customer with a value of 8,000€. The sale was recorded in December of year N. Which accounting assumption / qualitative characteristic was not observed by the company?

- a) Going concern
- b) Relevance
- c) Accrual
- d) Comparability

3. When recording in year N+1 an insurance premium of 3,000€, concerning the period of 1/10/N to 31/3/N+1, paid in October of year N:

- a) The account "Cash at bank" is credited in the amount of 3,000€
- b) The account "Prepaid expenses" is credited in the amount of 1,500€
- c) The account "External supplies and services expenses" is debited in the amount of 3,000€
- d) None of the above

4. Firm "ABC" S.A. bought a transport vehicle for 100,000€ (only 50% of the amount was immediately paid for), to transport its VIP clients. The firm estimates a useful life of 10 years and no residual value. Looking at the financial statements at year end (31/12/N), which answer is correct (assume annual SLM)?

- a) An obligation to pay of 100,000€, a payment of 50,000€ and an expense of 10,000€
- b) An obligation to pay of 50,000€, a payment of 50,000€ and an expense of 50,000€
- c) An obligation to pay of 100,000€, a payment of 50,000€ and an expense of 100,000€
- d) An obligation to pay of 50,000€, a payment of 50,000€ and an expense of 10,000€

5. Which of the following events changes the value of the patrimony (net worth) of the firm?

- a) Receipt from a client
- b) Sale of merchandize, on account, selling price below cost
- c) Purchase of merchandize on account
- d) All of the above

6. The firm "International Business" had 3,000 USD in cash valued under the exchange rate in place at the date of acquisition of 1USD/EUR. In December, the firm sold 1,500 USD. At the date of the sale, the exchange rate was 0.80USD/EUR. The firm paid bank commissions of 25€. What is the impact of this event in the value of the patrimony (net worth) of the firm?

- a) The value of the patrimony of the firm increases by 375€
- b) The value of the patrimony of the firm decreases by 350€
- c) The value of the patrimony of the firm increases in 350€
- d) The value of the patrimony of the firm decreases in 375€

7. In the Perpetual Inventory System, it is correct to say:

- a) The account "Purchases of inventories" presents a debit balance (outstanding) during all year
- b) The cost of goods sold is calculated only at the end of the year using the formula: Initial Inventory + Net Purchases – Final Inventory +/- Recl. and Reg. of Inventory
- c) After each sale the firm needs to record immediately the exit of the inventory from the warehouse
- c) It is not possible to calculate Gross Profit after each sale

8. Which of the following event does not change the value of the patrimony (net worth) of the firm?

- a) Purchase of inventories paid for in cash
- b) Cash sale of inventories, at cost price
- c) Payment of salaries
- d) All of the above

9. When a firm buys a printer with the following terms:

- 50% paid for in cash
- 50% on account (90 days)

- a) Assets and Liabilities both increase
- b) Owners' Equity decreases
- c) Expenses increase
- d) None of the above

10. In year N, company "INFORSYS, Lda." bought, and paid in cash, 10 sets of computers (inventory) with a total value of 6,000€ (+ VAT at the rate of 23%). The firm received a commercial discount of 5%. Considering the firm sells all of the inventory in the same accounting period, which of the following is true?

- a) The cost of goods sold is 6,000 €
- b) The cost of goods sold is 7,080 €
- c) The cost of goods sold is 5,700 €
- d) The cost of goods sold is 7,011 €

## Financial Accounting II

### Exercise 2

Consider the Trial Balance of GFHJK, Lda. at 31/12/N:

| Accounts                                           | Accumulated |            | Balance    |            |
|----------------------------------------------------|-------------|------------|------------|------------|
|                                                    | Debit       | Credit     | Debit      | Credit     |
| Cash                                               | 1 202 050   | 1 201 040  | 1 010      |            |
| Demand bank deposits                               | 10 150 200  | 10 033 700 | 116 500    |            |
| Trade accounts receivable                          | 3 586 070   | 2 272 040  | 1 314 030  |            |
| Trade accounts receivable - Accumulated impairment | 0           | 10 600     |            | 10 600     |
| Trade accounts payable                             | 8 406 030   | 9 495 020  |            | 1 088 990  |
| State and other public entities                    | 1 923 040   | 2 470 650  |            | 547 610    |
| Debtors for accruals of revenues                   | 15 000      |            | 15 000     |            |
| Creditors for accruals os expenses                 | 0           | 950        |            | 950        |
| Deferrals - Prepaid expenses                       | 2 900       | 0          | 2 900      |            |
| Deferrals - Pre-received revenues                  | 0           | 1 550      |            | 1 550      |
| Purchases of inventories - Merchandize             | 7 974 050   | 7 974 050  |            |            |
| Purchases' discounts                               | 15 000      | 15 000     |            |            |
| Merchandize                                        | 1 248 360   | 558 060    | 690 300    |            |
| Reg. inventories - Merchandize                     | 5 410       | 5 410      |            |            |
| Investments in other companies                     | 230 000     | 0          | 230 000    |            |
| PPE - Buildings                                    | 2 095 040   | 0          | 2 095 040  |            |
| PPE - Transport equipment                          | 306 150     | 0          | 306 150    |            |
| PPE - Administrative equipment                     | 125 010     | 0          | 125 010    |            |
| Accumulated depreciation                           | 0           | 950 367    |            | 950 367    |
| Share capital                                      | 0           | 1 800 000  |            | 1 800 000  |
| Legal reserves                                     | 0           | 250 000    |            | 250 000    |
| Retained earnings                                  | 0           | 50 800     |            | 50 800     |
| COGS                                               | 8 508 610   | 710 710    | 7 797 900  |            |
| External supplies and services expenses            | 581 670     | 2 900      | 578 770    |            |
| Personnel expenses                                 | 1 564 080   | 0          | 1 564 080  |            |
| Depreciation and amortization expenses             | 118 757     | 0          | 118 757    |            |
| Impairment loss - Trade accounts receivable        | 10 600      | 0          | 10 600     |            |
| Other expenses                                     | 12 030      | 0          | 12 030     |            |
| Financial expenses                                 | 34 070      | 0          | 34 070     |            |
| Sales                                              | 43 060      | 10 280 750 |            | 10 237 690 |
| Other revenues                                     | 1 550       | 48 130     |            | 46 580     |
| Interests and other similar revenues               | 0           | 27 010     |            | 27 010     |
|                                                    | 48 158 737  | 48 158 737 | 15 012 147 | 15 012 147 |

### Questions:

1. Calculate the gross profit margin on sales.
2. Determine the net profit, considering an income tax rate of 20%.
3. Prepare the Income Statement (by nature) and the Balance Sheet.
4. Compute the following ratios: level of indebtedness, return on assets and return on equity.

**Exercise 3 – Statement of Cash Flows <sup>1</sup>**

The firm ABCD, Lda., presented the following financial statements, at 31st of December:

**Balance Sheet at 31st December (Euros)**

| Assets                                      | N                | N+1              |
|---------------------------------------------|------------------|------------------|
| <b>Non-current assets</b>                   |                  |                  |
| Fixed Tangible Assets                       | 1,500,000        | 1,370,000        |
| Financial Investments                       | 150,000          | 170,000          |
|                                             | <b>1,650,000</b> | <b>1,540,000</b> |
| <b>Current Assets</b>                       |                  |                  |
| Inventories                                 | 680,000          | 740,000          |
| Trade Accounts Receivable                   | 570,000          | 587,000          |
| Cash and Bank deposits                      | 100,000          | 103,000          |
|                                             | <b>1,350,000</b> | <b>1,430,000</b> |
| <b>Total Assets</b>                         | <b>3,000,000</b> | <b>2,970,000</b> |
| <b>Owners' Equity and Liabilities</b>       |                  |                  |
| <b>Owners' Equity</b>                       |                  |                  |
| Subscribed capital                          | 1,200,000        | 1,700,000        |
| Retained Earnings                           | 380,000          | 50,000           |
| Net Income                                  | 100,000          | 142,400          |
| <b>Total Owners' Equity</b>                 | <b>1,680,000</b> | <b>1,892,400</b> |
| <b>Liabilities</b>                          |                  |                  |
| <b>Currents Liabilities</b>                 |                  |                  |
| Obtained Loans                              | 470,000          | 350,000          |
| Trade Accounts Payable                      | 620,000          | 445,000          |
| State and other public entities             | 130,000          | 157,600          |
| Other accounts payable                      | 100,000          | 125,000          |
| <b>Total Liabilities</b>                    | <b>1,320,000</b> | <b>1,077,600</b> |
| <b>Total Owners' Equity and Liabilities</b> | <b>3,000,000</b> | <b>2,970,000</b> |

**Income Statement N+1**

|                                           | Euros          |
|-------------------------------------------|----------------|
| Net Sales                                 | 6,000,000      |
| Cost of goods sold                        | 4,200,000      |
| Personnel expenses                        | 1,250,000      |
| Depreciation and amortization             | 300,000        |
| Revenues from non - financial investments | 50,000         |
| Interests and other similar expenses      | 37,600         |
| <b>Earnings before taxes</b>              | <b>262,400</b> |
| Income tax expense                        | 120,000        |
| <b>Net Income</b>                         | <b>142,400</b> |

<sup>1</sup> Adapted from BORGES, António *et al.* (2002), *Práticas de Contabilidade Financeira*, 3ª Edição, Lisboa, Áreas Editora, pp. 365-370.

### Additional Information:

1. For simplicity reasons, ignore VAT
2. In N+1, dividends attributed were paid in the amount of 30,000€
3. The fixed tangible assets acquired in N+1, in the amount of 400,000€, were totally paid; the accumulated depreciation of years N and N+1 were 400,000€ and 630,000€, respectively
4. There were no sales of financial investments
5. The firm asked for several bank loans in N+1 in the amount of 270,000€
6. State and other public entities includes only amounts regarding income tax
7. Other Accounts Payable includes 80,000€ and 110,000€ of accruals of salaries for 31/12/N and 31/12/N+1, respectively; the remaining amounts, for both years, are related to accruals of interests borne by the company
8. Revenues from non-financial investments includes gains obtained in the sale of fixed tangible assets.

### Questions:

**Prepare the Statement of Cash Flows, using the Direct Method.**

## Exercise 4 – Profit Appropriation

After closing the accounts for the year ended in 31<sup>st</sup> of December of N, *ALFA, SA* presents the following composition of shareholders' equity (in euros):

|                            | Amount   |
|----------------------------|----------|
| Subscribed Capital         | 50,000   |
| Other Equity Instruments   | 80,000   |
| Legal Reserves             | 4,000    |
| Other Reserves             | 11,000   |
| Retained Earnings          | (10,000) |
| Net Income                 | 25,000   |
| Total Shareholders' Equity | 160,000  |

In 31<sup>st</sup> of March of N+1, at the shareholders' meeting summoned for the approval of the accounts for the year ended in 31<sup>st</sup> of December of N, the shareholders approved the following appropriation of net income of year N:

- First, to cover accumulated losses
- Second, the remainder of net income will be:
  - 5% to reinforce the legal reserve
  - 35% to reinforce other reserves
  - 60% to be distributed to shareholders

On the 30th of April of N+1 dividends were paid to the shareholders (with a retention of income tax at a rate of 25%).

**Record in the journal the entries of year N+1.**

### Exercise 5 – Reductions and Increases in Capital

**5.1.)** Company CCC did a capital increase of 500,000€, represented by shares with a nominal value of 2€, in the following way:

- Incorporation of Free Reserves: 100,000€
- The remainder through the issue of shares to new shareholders, with a total subscription value of 600,000€.

**Conduct the necessary recordings in the Journal, knowing that the capital was fully realized.**

**5.2.)** “Sempre a Crescer, S.A.” will do a capital increase. Given existing good growth opportunities and the market value of the shares, it was decided at the shareholders meeting, on April 5<sup>th</sup> of N, to increase the capital by 8,000,000€ (nominal value).

The composition of Shareholders’ Equity, at the date of the shareholders’ meeting, was as follows:

| Shareholders’ Equity              | in €             |
|-----------------------------------|------------------|
| Share Capital                     | 2,500,000        |
| Share Premium                     | 1,000,000        |
| Reserves                          | 4,000,000        |
| Retained Earnings                 | 480,000          |
| Net Income                        | 20,000           |
| <b>Total Shareholders’ Equity</b> | <b>8,000,000</b> |

At that date, the Share Capital was represented by 500,000 shares, all outstanding in the stock market. The market value of all shares was 9,875,000€.

The shareholders decided that the capital increase would be implemented in the following way:

First, the issue of 3,000,000€, at par, by incorporation of reserves, for current shareholders; Second, the issue of 5,000,000€, resorting to the market.

The shares subscribed by the public were issued at an issue price equal to the average market value of the last 5 trading days, just before the operation. The market values of those last 5 days were:

19-05-N: 18.30€ ; 20-05-N: 18.05€; 21-05-N: 18.00€; 22-05-N: 17.85€; 23-05-N: 17.80€

The payment of the shares was received on the 1<sup>st</sup> of June of year N. At that date, the market price of the shares was 18.50€.

**Requested:**

- 1. Determine the number of new shares issued (in both the incorporation of reserves and in the public offering).**
- 2. Determine the issue price of the new shares offered in the market, showing whether there is a premium.**
- 3. Record in the journal of the firm the capital increase.**

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**4. Show the composition of Shareholders' Equity after the capital increase.**

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**Exercise 6 - Reductions and Increases in Capital**

Firm "ABC, Lda" has the following composition in Shareholders' Equity:

|                                   | N            | N+1      |
|-----------------------------------|--------------|----------|
| Share Capital                     | 4,800        | ?        |
| Legal Reserve                     | 800          | 800      |
| Retained Earnings                 | (50)         | ?        |
| Revaluation Reserves              | 1,220        | 1,220    |
| Net Income (of the period)        | (3,880)      | 5,600    |
| <b>Total Shareholders' Equity</b> | <b>2,890</b> | <b>?</b> |

The shareholders decided to increase the capital of the firm at 31/12/N. To do so, they decided to contribute 1,000 c.u. each. Additionally, they asked supplier (F1) to become a new shareholder. F1 accepted that proposal.

Additional information:

- a) At 31/12/N the shares were equally divided by the 3 shareholders.
- b) After the increase in capital, F1 has a share of 20% of the capital.
- c) After the appropriation (application) of the net income obtained in N+1, that occurred in March of N+2, legal reserves are 20% of the capital. Hence, a free reserve of 520 c.u. was created, and the rest of the net income was used to cover accumulated losses.

**Requested:**

1. Write the Journal entries regarding the increase in capital, showing your computations.
2. Write the journal entries regarding the appropriation of the net income of N+1, that occurred in March of N+2.

### Exercise 7 – Reductions and Increases in Capital

Firm Acumular, Lda follows a management policy of not paying dividends to its partners. The team believes that this ensures a financial leverage for the firm to be able to capture new growth opportunities.

The partner A does not agree with the management's philosophy and wants to leave the firm. Because none of the other partners want to acquire partner A's share of capital, they decided to reduce the capital, at the General Meeting of 21/03/N. The payment to the partner was made in 31/03/N.

The partners agreed to use the composition of Owners' Equity at 31/12/N-1 for the capital reduction operation, which was as follows (in €):

| Owners' Equity       |           |         |         |
|----------------------|-----------|---------|---------|
| Subscribed Capital   |           |         |         |
|                      | Partner A | 25,000  |         |
|                      | Partner B | 45,000  |         |
|                      | Partner C | 100,000 |         |
|                      | Partner D | 30,000  | 200,000 |
| Reserves             |           |         | 250,000 |
| Retained Earnings    |           |         | 390,000 |
| Net Income           |           |         | 10,000  |
| Total Owners' Equity |           |         | 850,000 |

#### Requested:

1. Determine the nominal value and the book value of partner's A share of capital.
2. Record the Journal entries regarding the capital reduction.
3. Show the composition of Owners' Equity after the capital reduction.

## Exercise 8 – Reductions and Increases in Capital

Company Beta, S.A. did a capital increase in the amount of 1,000,000€, represented by shares with a par value of 2€, in the following way:

- Conversion of a bank loan: 400,000€ (nominal value);
- Incorporation of Free Reserves: 200,000€;
- Issue of shares offered in the market with cash payment: 400,000€ (nominal value), with an issue price per unit of 3€.

The capital was realized in full and the nominal value of the shares remains unchanged.

### Requested:

1. Record the Journal entries regarding the subscription and realization of capital.
2. Indicate the impact of the capital increase:

|                |  |
|----------------|--|
| Share Capital  |  |
| Owners' Equity |  |
| Cash Flows     |  |
| Net Income     |  |

## Exercise 9 – Own Shares (Treasury Stock)

At 31<sup>st</sup> December of N, the composition of VIAGEM, S.A. Owners' Equity was as follows (in €):

|                            | 31/12/N  |
|----------------------------|----------|
| Share Capital              | 800,000  |
| Own Shares (Nominal Value) | (60,000) |
| Own Shares (P/D)           | (6,000)  |
| Legal Reserves             | 112,500  |
| Free Reserves              | 135,000  |
| Retained Earnings          | 210,000  |
| Net Income                 | 58,500   |

Additional information:

- Share Capital is represented by 400,000 shares.
- Own shares were purchased in two separate dates in the following conditions:
  - In N-1, the company purchased 20,000 own shares for 48,000€;
  - In N, the company purchased the remaining own shares.

**Requested:**

1. Indicate the nominal value and the book value of each share.
2. Calculate the premium or discount in the batch of own shares purchased in N-1.
3. Calculate the cost of the batch of own shares purchased in N.
4. Record the following Journal entries:
  - a) On the 20<sup>th</sup> of February of N+1, purchase of an additional batch of 5,000 own shares for 3,5€ each.
  - b) On the 5<sup>th</sup> of April of N+1, sale of 10,000 own shares for 3€ each (costing formula - FIFO).

### Exercise 10 – Own Shares (Treasury Stock)

The composition of Shareholders' Equity of "Estrelas, S.A.", at 31/12/N-1, was the following:

|                   | €                |
|-------------------|------------------|
| Share Capital     | 1,000,000        |
| Legal Reserve     | 200,000          |
| Free Reserves     | 350,000          |
| Retained Earnings | (75,000)         |
| Net Income        | 60,000           |
| <b>Total S.E.</b> | <b>1,535,000</b> |

Additional Information:

- The nominal value of each share is 5€;
- In January of N, the firm acquired 7% of its Share Capital for 105,000€;
- At the General Meeting of March of N, it was decided to transfer net income to Retained Earnings;
- In August of N, after an Extraordinary General Meeting, the firm acquired an additional 3% of its Share Capital, paying 10€ per share;
- In November of N, the firm sold 18,000 own shares for 8€ each.

**Requested:**

1. The journal entries of the firm regarding all the operations during N, knowing that the firm used the weighted average cost as the costing method.
2. The composition of Shareholders' Equity, at 31/12/N, knowing that the firm generated a positive net income of 15,000 €.

### Exercise 11 – Own Shares (Treasury Stock)

In 8/3/N, and after assessing all of the necessary legal requirements, firm ABC repurchased 6,000 own shares for 5,100€. The par value of the shares is 1€/per share.

In 24/7/N, the firm sold 50% of those own shares for 1,5€/per share.

#### Requested:

1. Write the journal entries regarding the repurchase and sale of own shares.
2. Fill the following table at 31/12/N:

|                                                           |  |
|-----------------------------------------------------------|--|
| Number of Own Shares                                      |  |
| Outstanding Balance of “Own Shares”                       |  |
| Outstanding Balance of “Own Shares – nominal value”       |  |
| Outstanding Balance of “Own Shares – premium/ discount”   |  |
| Disclosed amount of “Own Shares” in the Balance Sheet     |  |
| Total impact of these operations on the value of the firm |  |
| Total impact of these operations on net income            |  |

## Financial Accounting II

### Exercise 12 – Own Shares (Treasury Stock)

Firm *Azares, S.A.* repurchased 5,000 own shares at the end of year N-2. In year N-1, the firm bought an additional batch of own shares. Composition of Shareholders' Equity at the beginning and end of N-1 was as follows:

|                                  | 31-12-N-1      | 01-01-N-1      |
|----------------------------------|----------------|----------------|
| Share Capital                    | 500,000        | 500,000        |
| Own Shares – Nominal Value       | (9,000)        | (5,000)        |
| Own Shares – Premiums/ Discounts | (2,000)        | 1,000          |
| Legal Reserves                   | 57,700         | 50,000         |
| Other Reserves                   | 76,300         | 70,000         |
| Retained Earnings                | 0              | 14,000         |
| Net income                       | 9,000          | 0              |
| <b>Total S.E.</b>                | <b>632,000</b> | <b>630,000</b> |

In 1/02/N the firm sold some of the own shares on a single transaction, from which we have the following information, regarding the corresponding effects of the journal entries:

| Account                          | Entries |        |
|----------------------------------|---------|--------|
|                                  | Debit   | Credit |
| Own Shares – Nominal Value       |         | 2,000  |
| Own Shares – Premiums/ Discounts | 2,400   | 2,000  |

#### Requested:

- Determine the number of own shares repurchased in N-1 and the amount paid for those own shares.
- Considering that the firm uses FIFO as the costing method, calculate:
  - The number of own shares that were sold;
  - The selling value of the own shares that were sold;
  - The Gain or Loss in this transaction.
- Write the journal entries for the repurchase (year N-1) and the sale (year N) of own shares.
- Determine the outstanding balance of *Legal Reserves – Own Shares* after the sale of own shares.

|                                         |
|-----------------------------------------|
| <b>Exercise 13 – Subsidies / Grants</b> |
|-----------------------------------------|

The firm *Dificuldades Financeiras, Lda.* received, from the State, 20,000€ in 15/7/N. According to the Ministry ruling, the conditions underlying the subsidy are:

- 12,500€ to finance 25% of the investment in Basic Equipment, for which estimated useful life is 15 years. The residual value of that equipment is 1,000€. The depreciation method is the straight-line method.
- 5,000€ to directly finance of the firm's activities.
- The rest is for staff training throughout years N and N+1.

**You are requested to record in the Journal:**

- 1. The value received.**
- 2. The purchase of the equipment, on account, at 28/08/N (VAT 20%).**
- 3. The depreciation and any other adjustments required at 31/12/N.**

|                              |
|------------------------------|
| <b>Exercise 14 - Leasing</b> |
|------------------------------|

Company Suporte, SA (Lessor) signed a contract for the cession of an equipment with company Inova, Lda. (Lessee).

The characteristics of the contract are the following:

- Value of the equipment: 40,000€
- Date of purchase of the equipment: 1<sup>st</sup> October N-1
- Depreciation rate: 12.5% (annual straight-line method)
- Date of the cession contract: 1/10/N
- Duration of the contract: 6 months
- Monthly instalments (in arrears) of 500€ (+VAT 20%)

**Requested:**

**Record in the Journal the entries for both companies, *Suporte, SA* and *Inova, Lda.*, regarding years N and N+1.**

## Exercise 15 – Leasing

Company *ServiPro, Lda.* needed to purchase an equipment to supplier *Alfa, SA*, to be able to expand its activity. Instead of asking for a bank loan, the company signed a contract with *Lease & Factor, SA*, on March 1<sup>st</sup> of year N, with the following characteristics:

- ✓ *Lease & Factor, SA*, purchased the equipment to *Alfa, SA*, and ceded immediately its use to *ServiPro, Lda.*;
- ✓ Value of the contract (equipment): 75,000€;
- ✓ Expected useful life of the equipment: 6 years;
- ✓ Term of the contract between *Lease & Factor, SA*, and *ServiPro, Lda.*: 4 years;
- ✓ VAT on the transaction: 20%;
- ✓ Payment by *ServiPro, Lda.* Of semi-annual rents (at the end of the period) with the following schedule:

| N <sup>er</sup> | Beginning date | Ending date | Interests | Reduction in lease liability | Total rent |
|-----------------|----------------|-------------|-----------|------------------------------|------------|
| 1               | 01-03-N        | 30-08-N     | 2,771.71  | 8,228.29                     | 11,000     |
| 2               | 01-09-N        | 28-02-N+1   | 2,467.62  | 8,532.38                     | 11,000     |
| 3               | 01-03-N+1      | 30-08-N+1   | 2,152.30  | 8,847.70                     | 11,000     |
| 4               | 01-09-N+1      | 28-02-N+2   | 1,825.32  | 9,174.68                     | 11,000     |
| 5               | 01-03-N+2      | 30-08-N+2   | 1,486.26  | 9,513.74                     | 11,000     |
| 6               | 01-09-N+2      | 28-02-N+3   | 1,134.67  | 9,865.33                     | 11,000     |
| 7               | 01-03-N+3      | 30-08-N+3   | 770.09    | 10,229.91                    | 11,000     |
| 8               | 01-09-N+3      | 28-02-N+4   | 392.03    | 10,607.97                    | 11,000     |

**Requested:**

**Record the necessary Journal entries regarding year N for company *ServiPro, Lda.*, knowing the contract started in 01/03/N.**

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|-----------------------------------------------------------------------|
| <b>Exercise 16 – Subsidies/ Grants &amp; Leasing (Exam Questions)</b> |
|-----------------------------------------------------------------------|

Select the most correct answer.

- 1) At the beginning of year N, company Alfa, SA invested 125,000€ in an industrial equipment, with an estimated useful life of 5 years. One month after the acquisition, the company received a government grant of 40% of the value of the equipment. At the 31<sup>st</sup> of December of year N, the company should present on the Statement of Financial Position (assume the company adopts IFRS - generic solution):
- a) A tangible asset of 100,000€ and a deferred income under Liabilities of 40,000€
  - b) A tangible asset of 100,000€ and a deferred income under Liabilities of 10,000€
  - c) A tangible asset of 100,000€ and an investment grant under Equity of 10,000€
  - d) None of the above
- 2) In 1/10/N, company CCC, SA signed a leasing contract in the amount of 50,000€ related to the purchase of an industrial machine. The useful life of the equipment is 5 years. The term of the contract is 4 years. The payment of a rent of 11,000€ is made at the end of each semester (VAT deductible rate is 23%). Regarding the first rent, 1.500€ are interests. In year N, the company should recognize:
- a) A prepaid expense of 750€ and a depreciation of 10.000€
  - b) A prepaid expense of 1.500€ and a depreciation of 10.000€
  - c) A financial expense of 1.500€ and a depreciation of 12.500€
  - d) A financial expense of 750€ and a depreciation of 12.500€
- 3) In a leasing contract the user of the asset is called:
- a) Lessor
  - b) Lessee
  - c) Acquirer
  - d) Supplier

## Exercise 17 – Owners' Equity

Consider the following composition of Shareholders' Equity of company NovoAno, SA (in €):

|                   | 31/12/N |
|-------------------|---------|
| Share Capital     | 600,000 |
| Own Shares (NV)   | X       |
| Own Shares (P/D)  | Y       |
| Legal Reserves    | 112,500 |
| Free Reserves     | 150,000 |
| Retained Earnings | 295,000 |
| Net Income        | 65,000  |

Additional information:

- Share capital is represented by 300,000 shares;
- There are 5,000 own shares, purchased in a single transaction in year N;

During **year N+1**, the following patrimonial events occurred:

- On March 25<sup>th</sup>, it was decided to purchase 10,000 additional own shares for 6€ each.
- On May 3<sup>rd</sup>, the company decided to sell 10,000 own shares for 4€ each (costing method - FIFO). Consider that the purchase price of the own shares purchased in year N was 5€.
- On June 7<sup>th</sup>, the General Assembly decided to increase the company's capital by 75,000€ (nominal value). The capital increase was realized by incorporation of free reserves (25.000€) and the remainder (50.000€) by issuing shares to be offered to the market. The issue price of the shares offered to the market was 6€/share. The capital was fully paid.

**Requested:**

- Determine unknowns X and Y. Present the calculations.**
- Record in the Journal the entries regarding year N+1.**