

UNDERGRADUATE – MANAGEMENT/FINANCE/ECONOMICS

Financial Accounting II

EXERCISES - Part 2

2026/2027

Exercise 1 – Introductory Concepts

Select the most correct answer:

1. The objective of financial statements is to provide information that is useful to a wide range of users in making economic decisions and involving information about:
 - a) The financial position, the financial performance, and the cash flows
 - b) The financial position and the cash flows
 - c) The financial performance and the cash flows
 - d) The composition and value of the patrimony
2. Financial statements are prepared according to two underlying assumptions:
 - a) The accrual basis and the cash basis
 - b) The cash basis and the going concern
 - c) The going concern and the substance over form
 - d) The accrual basis and the going concern
3. When measuring the elements of the financial statements, the following measurement basis are used:
 - a) Historical cost and current cost
 - b) Historical cost, current cost, fair value and value in use
 - c) Current cost and fair value
 - d) Historical cost and value in use
4. Which of the following is correct?:
 - a) As asset is an economic resource controlled by the company that depends on future events
 - b) A liability is a right of the entity to transfer economic resources
 - c) An asset is a present resource that is not controlled by the entity as a result of past events
 - d) A liability is a present obligation of the entity to transfer economic resources
5. Understandability, relevance, faithful representation, and comparability are:
 - a) Measurement bases
 - b) Underlying assumptions to the preparation of financial statements
 - c) Elements of the financial statements
 - d) Qualitative characteristics of financial statements

6. A complete set of financial statements includes:
- a) Statement of Financial Position, Income Statement and Statement of Other Comprehensive Income, Statement of Cash Flows and Notes
 - b) Statement of Financial Position, Income Statement and Statement of Other Comprehensive Income, Statement of Changes in Equity and Notes
 - c) Statement of Financial Position, Income Statement and Statement of Other Comprehensive Income, Statement of Cash Flows, Statement of Changes in Equity and Notes
 - d) Statement of Financial Position, Income Statement and Statement of Other Comprehensive Income, Statement of Cash Flows, Notes and Management Report
7. Which of the following is correct?:
- a) The Portuguese national standards include all of the standards issued by the IASB without any kind of adjustments
 - b) The level of disclosure demanded in the Notes in the Portuguese national standards is higher than in the International Financial Reporting Standards
 - c) IAS 1- Presentation of Financial Statements, establishes the bases for presenting financial statements and the list of accounts that firms should use
 - d) IAS 1- Presentation of Financial Statements, establishes the bases for presenting financial statements, and does not present a model for the financial statements
8. Which of the following statements is correct?
- a) $\text{Total Comprehensive Income} = \text{Net Profit} + \text{Retained Earnings}$
 - b) $\text{Total Comprehensive Income} = \text{Owners' Equity} - \text{Net Profit}$
 - c) $\text{Total Comprehensive Income} = \text{Net Profit} + \text{Other Comprehensive Income}$
 - d) $\text{Total Comprehensive Income} = \text{Net Profit} + \text{Other Comprehensive Income} - \text{Operations with Shareholders}$
9. Regarding the Portuguese accounting environment, which of the following is correct?:
- a) All entities apply the IAS/IFRS
 - b) All entities apply the SNC
 - c) Large entities apply the IAS/IFRS and small entities apply the SNC
 - d) There are simplified regimes for small entities and micro entities

Exercise 2 – Introductory Concepts

A. Classify the following as assets, liabilities, equity, income and expenses:

1. Raw Materials
2. Debts to Shareholders (payables)
3. Shares purchased
4. Own Shares purchased
5. Bonds issued
6. Patents
7. Issue Premium
8. Advanced payments from customers
9. Reversal of provision
10. Fines
11. Acquired brand
12. Grants related to income
13. Revenues from rendering of services
14. Interest on bonds purchased
15. Losses resulting from a fire
16. Gains from the sale of tangible assets
17. Favorable exchange rate differences

B. Classify the following elements as current assets, non-current assets, current liabilities and non-current liabilities:

1. Inventories
2. Administrative equipment
3. Trade Accounts Receivable
4. Shares purchased with the purpose of selling them in the short term
5. Investment in a subsidiary
6. Intangible Assets
7. Cash
8. Demand Bank deposits
9. Investment Properties
10. Trade Accounts Payable
11. Suppliers of tangible assets
12. Medium to long term Obtained Loans
13. Non-current assets held for sale

Exercise 3 – Inventories

Select the most correct one:

1. Indicate which may be considered as part of the cost of inventories at initial measurement:
 - a) Purchase price, VAT deductible, obtained commercial discounts and transport costs
 - b) Purchase price, VAT not deductible, obtained commercial discounts and transport costs
 - c) Purchase price, storage costs, obtained commercial discounts and transport costs
 - d) None of the above is correct
2. Inventories should be adjusted:
 - a) When cost is higher than net realizable value
 - b) When cost is higher than value in use
 - c) When selling price is higher than net realizable value
 - d) When cost is lower than net realizable value
3. At the end of N, BUY & SELL, SA had in stock 3,000 units of merchandize with a purchase price of 6 € per unit. The company estimates that the sale of such goods would enable the company to obtain € 21,000, free of charge. Knowing that at the end of N-1 the goods had been subject to an adjustment in the amount of € 3,500, what should the company recognize in its accounts?
 - a) An additional adjustment of € 3,000
 - b) A reversal of the adjustment in the amount of € 500
 - c) A reversal of the adjustment in the amount of € 3,500
 - d) An additional adjustment in the amount of € 6,500
4. The company "Frames, SA", has in stock 1,000 units of silver-plated frames in the process of manufacture. The total costs incurred to date as recognized in the accounts were € 2 per unit. It is estimated that, to complete the manufacturing process, € 7 per unit is needed. The current selling price of these frames is 10 €, and the selling costs are estimated at € 2 per unit. What should the company recognize in its accounts?
 - a) An increase in the value of inventories in the amount of € 6,000
 - b) An adjustment to the value of inventories in the amount of € 1,000
 - c) An adjustment to the value of inventories in the amount of € 3,000
 - d) There is no adjustment to be made

5. At the end of N, company ABC purchased inventories, on account (VAT deductible 20%) in the amount of € 4,000. The company incurred in transport costs in the amount of € 200. At the end of N, the estimated selling price of the inventories was € 4,000. Knowing that previous year adjustments in inventories was € 500, indicate which sentence is correct:
- a) At the end of year N, there is no need to make any adjustment, considering that the purchase price is equal to the net realizable value
 - b) At the end of year N, an adjustment of € 200 is needed
 - c) At the end of year N, a reversal of an adjustment of € 500 is needed
 - d) At the end of year N, a reversal of an adjustment of € 300 is needed

Exercise 4 – Inventories

A. Regarding firm ABC, the following situations were identified that have not been recorded:

- i. Purchase of inventory, on account, of € 2,500,000 (VAT 20%), with a 5% commercial discount. The company incurred in transport costs in the amount of € 100,000 and storage costs in the amount of € 90.
- ii. It is estimated that at 31.12.N, the selling price of inventories (including those purchased in the previous paragraph) is € 320.000 and the costs of selling are € 10,000.

The Trial Balance, before the recording of the purchase in i. shows the following information: Inventories € 303,788,000, net for adjustments in inventories of € 11,212,000.

Request: write the journal entries that you consider relevant

B. Company “ELETRA, SA” is a Portuguese commercial company that imports and distributes home appliances with the brand HOUSE. At 31/12/N-1, there were 10 units of drying machines from 2 batches: a batch of 4 units purchased for € 250/each and a second batch of 6 units purchased for € 300/each. At the end of year N-1, the estimated selling price of the machines was € 260/ each.

In N, the company had the following transactions:

- i. Purchase, immediate payment, of 10 units of drying machines at the cost of € 320/each, with transport costs amounting € 300.
- ii. Sale, on account, of 15 units for € 420/each. The company adopts FIFO as costing formula.

At 31/12/N, the estimated selling price of each machine is € 400 and the company pays fees of € 40 for each machine sold. The applicable VAT rate is 20% and the company adopts the perpetual inventory system.

Request: write the journal entries that you consider relevant

C. Firm CDE trades a specific product that undergoes large variations in terms of market price.

The information gathered about the product is as follows:

- Cost of acquisition N-2 = € 2,000 (€ 5 per unit)
- Transportation costs associated with the purchase = € 200
- Net realizable value at 31/12/N-2 = € 6 per unit
- Cost of acquisition N-1 = € 550 (€ 5.5 per unit)
- Transportation costs associated with the purchase = €50
- Net realizable value at 31/12/N-1 = € 4.5 per unit
- Sale in year N of 300 units for 7 €
- Net realizable value to 31/12/N = € 5.65 per unit
- VAT 20%. Firm uses FIFO and the perpetual inventory system.

Request: write in the journal the relevant entries relating to the product traded by the company, considering purchases and sales were made in cash.

Exercise 5 – Property, Plant & Equipment (PPE) and Intangible Assets

Select the most correct one:

1. In case the fair value of a tangible asset is below the carrying amount at the balance sheet date, which sentence is more correct in case the company adopts the revaluation model:
 - a) There is the recognition of a revaluation surplus
 - b) There is the recognition of a revaluation surplus or of an impairment loss
 - c) There is the recognition of an impairment loss and/or the reduction of a revaluation surplus
 - d) There is always the recognition of an impairment loss

2. In year N, company ABC, SA bought an equipment, immediate payment, for € 250,000, knowing that at the end of the useful life (10 years) there would be dismantling costs of € 10,000 (present value). Indicate which of the sentences is correct regarding the impact on the financial statements of year N of the recording of the purchase of the equipment:
 - a) The company records a tangible asset in the amount of € 250,000 and an expense of € 10,000
 - b) The company records a tangible asset in the amount of € 260,000 and an increase in net income
 - c) The company records a tangible asset in the amount of € 260,000 and a liability of € 10,000
 - d) The company records a tangible asset in the amount of € 260,000 and a negative cash flow from investing activities of € 260,000

3. Which of the following is true according to IAS 38 – Intangible Assets:
 - a) Research costs should be recorded as Intangible Assets when there is no evidence that they will generate future economic benefits
 - b) Research costs should be recorded as Intangible Assets when it is not certain that the research project will be concluded
 - c) Research costs should always be recorded as expenses of the period
 - d) Development costs should always be recorded as expenses of the period

4. An intangible asset is a non-monetary asset, without physical substance, that must be:
 - a) Identifiable, controllable and have an indefinite useful life
 - b) Comparable, identifiable and of restrict access by the entity
 - c) Identifiable, controllable and have a finite useful life
 - d) None of the above is correct

Exercise 6 – Property, Plant & Equipment (PPE) and Intangible Assets

A. Company “Prodúz, S.A.”, listed in the stock market, owns several similar equipment. In N-1, the carrying amount of the equipment was € 380,000. After careful analysis, the firm identified a fair value (market value) for those assets of € 335,000 and a value-in-use of € 370,000. The company recorded the necessary regularizations.

In N, it showed a carrying amount of € 310,000, with a market value (fair value) of € 325,000 and a value-in-use of € 300,000.

Knowing that the firm adopts the cost model for the tangible assets, what should be the result of the recordings in year N?

- Revaluation of equipment of € 15,000
- Impairment loss of € 10,000
- Reversion of Impairment loss of € 10,000
- None of the above

B. Company “É-DESTA, S.A.” Noncurrent Assets were subject to impairment tests at 31/12/N:

(in euros)

Assets	Acquisition value (Gross Value)	Accumulated Depreciation / Amortization	Fair Value – Cost of selling	Value in use
Intangible assets				
Development expenses	10,000	5,000	7,000	1,000
Tangible assets				
Land*	50,000	0	60,000	10,000
Land and Buildings*	200,000	40,000	150,000	135,000
Transport equipment	50,000	10,000	30,000	35,000
Basic equipment	100,000	25,000	65,000	80,000
Administrative equipment	25,000	5,000	27,000	22,000
Others	12,000	4,000	9,000	6,000

* These items were subject to revaluation in N-3 by 25% of its original value

Requests:

- Calculate the carrying amount and the recoverable amount of each asset
- Identify the assets that are impaired and calculate the amount of the impairment
- Record in the journal of the firm the necessary adjustments

- C. Company "HOSP, SA", is an industrial company dedicated to the production and distribution of hospital medical equipment and adopts the IAS/IFRS. Consider the following information regarding tangible assets, available on the company accounting records, at 31/12/N (in €):

Items	Gross Value	Accumulated Depreciation	Accumulated Impairment Losses	Fair Value – Costs of Selling	Fair Value	Value-in-Use
Land	250,000	0		210,000	215,000	200,000
Buildings	800,000	200,000		710,000	720,000	750,000
Transport equipment	240,000	90,000		120,000		150,000
Basic equipment	1,250,000	250,000		1,000,000		1,100,000
Administrative equipment	250,000	62,500	17,500	180,000		175,000

Additional information:

- The data already include the depreciation of year N, but does not consider the treatment of the impairment regarding the period ending in 31/12/N
- The company adopts the cost model for every item, except for Land and for Buildings, for which the revaluation model is adopted, regarding which there is a revaluation surplus of 25,000 for Land and of 125,000 for Buildings

Regarding the items identified above, fill-in the table and conduct the necessary recordings in the Journal.

	Land	Buildings	Transport equipment	Basic equipment	Administrative equipment
Carrying amount (before impairment test)					
Recoverable amount					
Impairment? Y/N					
Increase of impairment in year N					
Reversal of impairment in year N					
Revaluation in year N					

- D. Company GB, S.A. is developing some type of mechanism to include in its product, the latest version of GB-SPORT. It had the following costs:
- Research Stage
 - Materials and services consumed – 1.250 m€
 - External services – 700 m€
 - Development stage
 - Materials and services consumed – 1.000 m€
 - Staff expenses – 7.000 m€

It is also known that the recoverable amount of the intangible asset at the end of the first year of use is m€ 5,200. This firm defined 3 years of useful life for its intangible assets.

Request: Record in the journal the regularizations (no recordings have been made regarding this situation).

Exercise 7 – Provisions, Contingent Liabilities and Contingent Assets**A. Analyze the following situations:**

1. Firm “ACC2, S.A.”, produces plastics at Farland, where it built its Plant. According to the Environmental Law, the firm is obliged to do some Landscaping in the Plant’s surroundings after 15 years of activity. The firm estimates to spend € 2,500,000 (Present Value) to comply.
2. After consulting its Lawyers, the firm received the following information: the firm was prosecuted and has 2 different lawsuits in the court of law – one initiated by the firm and another initiated by a customer that filed a complaint against the firm. The first one relates to defective products that caused damage, following a delivery from its supplier. The lawyers firmly believe that the firm will win in court and will be compensated with € 100,000. Regarding the second lawsuit, filled by a customer, the lawyers also believe that the firm will not be convicted nor will have to pay any compensation.

Write the necessary journal entries and identify the impact of each situation on the financial statements.

- B.** GB-SPORT is an equipment commercialized by GB, Ltd. It’s sold with a warranty that covers repairs during the first year after the sale of the product. If there are small repairs to do, the firm usually incurs in repair costs of m€ 500 for all defective products. More serious repairs cost m€ 1,500. Past experience showed that the probability that no product has defects is 85%, that 10% will have minor repairs and that 5% will have more serious repairs.

Write the necessary journal entries.

- C.** In May of N, a customer prosecuted the firm in court of law for an indemnity on damages caused of € 20,000. The legal experts believe there are very low chances the firm wins the case in court.

In March N+1, the court sentenced the firm to pay a compensation of € 18,000, which the firm did immediately.

Write the necessary journal entries.

Exercise 8 – Exercises from past exams

- A. Following auditing and control of Financial Statements of our firm, this piece of information was gathered: the firm has an industrial machine that has not been used often since its replacement by a more modern one. Carrying amount of the old machine is € 350,000 and the firm estimates its value-in-use to be € 300,000, whereas its market value is € 280,000.

Write the necessary journal entries.

- B. Consider the following information regarding firm “IFRS COOL, S.G.P.S., SA”:

- i. Composition of Intangible and Tangible Assets, after the amortizations and depreciations annual record in year N:

(euros)

	Acquis. value	Acc.Amortizations/ Depreciations	Fair value – Cost sell	Value in use
Intangible assets				
Development expenses with future economic benefit	15,000	5,000	7,000	5,000
Research expenses without future economic benefit	6,000	2,000		
Tangible Assets				
Buildings ^{a)}	2,000,000	800,000	700,000	800,000
Transportation Equipment	80,000	70,000	34,000	35,000
Basic Equipment ^{b)}	350,000	87,500	200,000	155,000
Administrative Equipment	58,400	35,040	27,000	22,000

^{a)} Subject to revaluation in N-12 with outstanding Revaluation Excess of 450,000 €.

^{b)} Includes initial installation costs of 1,000 €.

Estimated useful life:

	Years of useful life
Research and Development Expenses	3
Buildings	50
Basic Equipment	20
Transportation Equipment	8
Administrative Equipment	10

- ii. The firm trades in a specific product that undergoes large variations in terms of market price. All the merchandise acquired in N-1 is still in full in its warehouse by the end of N.

(Thousands of euros)

	Gross Value	Net Realizable value (31.12. N-1)	Net Realizable value (31.12. N)
Inventories	6,000	5,500	6,200

Write the necessary journal entries regarding year N.