



Lisbon School
of Economics
& Management
Universidade de Lisboa

UNDERGRADUATE – MANAGEMENT/FINANCE/ECONOMICS

Financial Accounting II

EXERCISES - Part 3

2026/2027

Exercise 1 – Mergers

Company B is considering the acquisition of Company A, but given the reluctance of its shareholders, proposed a merger of Company A. Knowing that the nominal value of each share of both companies is € 1 and that the financial statements at the date they agreed on the merger are as follows:

Balance Sheet of firm A

Assets		Owners' Equity and Liabilities	
Tangible Assets	60,000	Share Capital	50,000
Inventories	20,000	Reserves	30,000
Trade Accounts Receivable	10,000	Retained Earnings	-30,000
State and O. P. E.	1,000	Net Income	-10,000
Other Receivables	5,000	Total OE	40,000
Other Financial instruments	3,000	Loans	30,000
Banks	500	Trade Accounts Payable	30,000
Cash	500	Total Liabilities	60,000
Total Assets	100,000	Total OE and Liabilities	100,000

Balance Sheet of firm B

Assets		Owners' Equity and Liabilities	
Tangible Assets	80,000	Share Capital	100,000
Inventories	30,000	Reserves	40,000
Trade Accounts Receivable	50,000	Retained Earnings	10,000
State and O. P. E.	11,000	Net Income	20,000
Other Receivables	20,000	Total OE	170,000
Other Financial instruments	3,000	Loans	20,000
Banks	15,000	Trade Accounts Payable	30,000
Cash	11,000	Total Liabilities	50,000
Total Assets	220,000	Total OE and Liabilities	220,000

Requests:

- 1. The exchange ratio of shares.**
- 2. The value of the capital increase of Company B.**
- 3. The premium/reserve from the merger.**
- 4. The journal records for company B.**

Exercise 2 – Mergers

By determination of the shareholders' General Meeting of both firms K, SA and L. SA, it was decided to merge the two companies, into a new company M. SA, in which is allowed the participation of new shareholders.

Balance sheets of both companies are as follows (in c.u.):

B/S of K, S.A.				B/S of L, S.A.			
Tangible Assets	20,000	Capital	25,000	Tangible Assets	11,900	Capital	15,000
Inventory	14,000	Reserves	5,000	Inventory	5,000	Ret. Earnings	(4,000)
Trade Acc. Receivable	5,000	OE	30,000	S.O.P.E.	500	OE	11,000
Cash and Banks	500	S.O.P.E.	1,500	Trade Acc. Receivable	4,000	Other Payables	3,000
		Shareholders	2,000	Cash and Banks	600	Loans	2,000
		Trade Acc. Payable	6,000			Trade Acc. Payable	6,000
		Liabilities	9,500			Liabilities	11,000
Assets	39,500	OE+Liabilities	39,500	Assets	22,000	OE+Liabilities	22,000

- ❑ Shares' nominal value was 0.5 c.u. each.
- ❑ Company M., S.A. was created with a capital of 60,000 c.u., divided into 60,000 shares.
- ❑ The following shares were offered to the shareholders of the companies involved in the operation:
 - Firm K, S.A. – 3 new shares by each 4 old owned
 - Firm L, S.A. – 1 new share by each 2 old owned
 - The rest of the shares were subscribed and realized in cash, by new shareholders.
- ❑ Firm K., S.A. was valued with a Goodwill of 5,000 c.u.
- ❑ All subscribed Shares were already fully realized either by incorporation of assets and Liabilities from merging firms or in cash for the remaining and for new shareholders.

Requests:

1. The journal entries in the Journal of the new company M.
2. The Balance Sheet of M after the merger.

Exercise 3 – Spin-Off

Company NovaGes - Consulting, SA, is in the business of information technology consulting and sells computers and similar equipment. This company decided to spin-off some of its business into a new firm – NovaTec, SA, with the following elements:

- ✓ 50% of the Tangible Assets
- ✓ 30% of the Trade Accounts Receivable
- ✓ 20% of the Other Financial Instruments
- ✓ 50% of the Bank Deposits
- ✓ 24% of the Loans.

Assuming the balance sheet as of 31/12/N from NovaGes, SA and that the nominal value per share is € 5 (same amount for the new company):

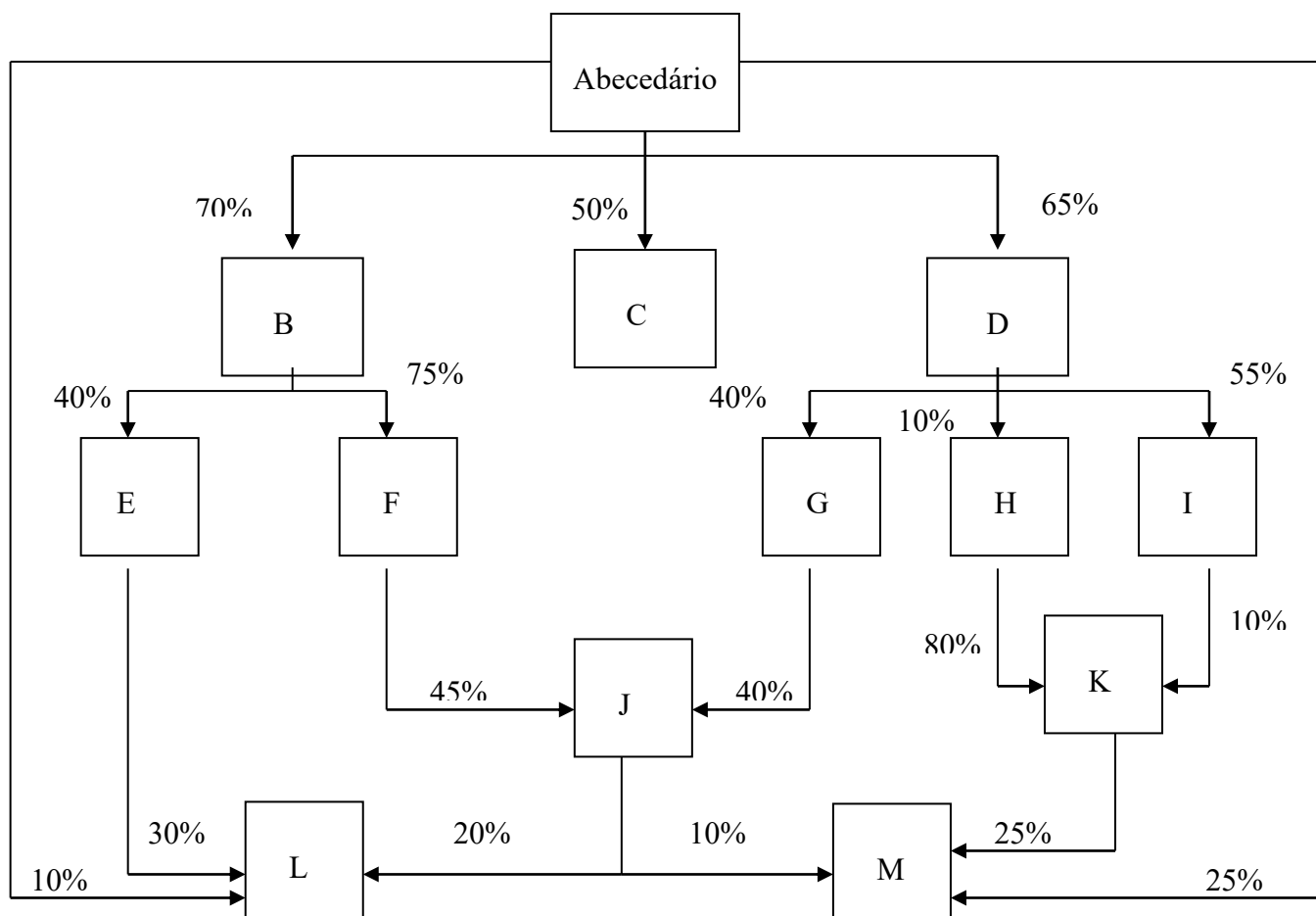
Balance Sheet of NovaGes, SA			
Assets		Owners' Equity and Liabilities	
Tangible Assets	100,000	Capital	100,000
Inventories	50,000	Reserves	30,000
Trade Accounts Receivable	30,000	Retained Earnings	-20,000
State and O.P.E.	500	Net Income	10,000
Other Receivables	10,000	Total OE	120,000
Other Financial Instrum.	15,000	Loans	58,335
Banks	4,000	Trade Accounts Payable	31,665
Cash	500	Total Liabilities	90,000
Total Assets	210,000	Total OE and Liabilities	210,000

Requests:

1. The journal records for Company NovaGes, SA.
2. The journal records for Company NovaTec, SA.

Exercise 4 – Interests and control percentages and consolidation methods

As of 31st December N, the financial department of Abecedário, SA presented the organizational structure of the group controlled by Abecedário, SA:



Note: Firm C is jointly controlled by Abecedário and another partnering firm outside the group.

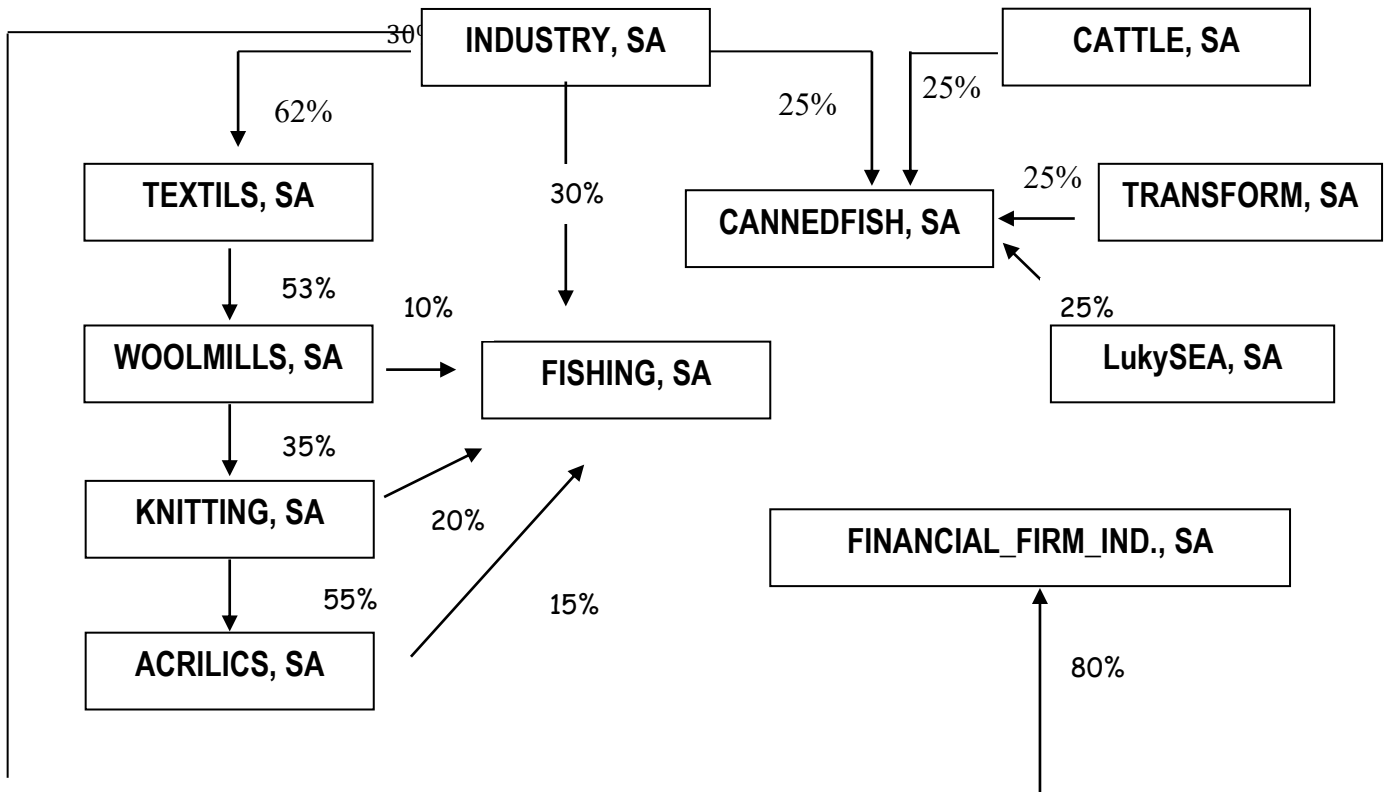
Requests:

1 – Determine the interest percentage and the control percentage of Abecedário, SA, in the investees, directly and indirectly.

2 – Indicate which consolidation method should be applied to each firm? Justify.

Exercise 5 – Interests and control percentages and consolidation methods

At 31st December N, the organizational structure of the group “Indústrias, SA” was the following:



Note: Cannedfish, SA is a jointly controlled entity

Requests:

- 1 – Determine the interest percentage and the control percentage of Indústrias, SA, directly and indirectly in each firm.**
- 2 – Indicate which consolidation method should be applied to each firm? Justify.**

Exercise 6 – Equity Method

Tico-Tico, SA acquired, in the beginning of N, a participation of 40% of **Teco-Teco, SA**, for an amount of 280,000€. At this date, Owners' Equity of the acquired firm was:

(Euros)	
Share Capital	250,000
Share Premium	160,000
Revaluation Surplus	50,000
Reserves	200,000
Retained Earnings	-60,000
Total	600,000

In the subsequent years, there were the following variations in Owners' Equity of **Teco-Teco**:

N	Net income	-40,000
N+1	Coverage of accumulated losses	100,000
N+1	Increase of Revaluation Surplus	50,000
N+1	Net Income	60,000
N+2	Distribution of dividends	25,000
N+2	Net Income	100,000

Request:

- Write in the journal of firm **Tico-Tico**, using the equity method, the financial participation in firm **Teco-Teco**.
- Fill in the table:

Firm **Teco-Teco** – Owners' Equity composition at 31/12/N+2

(Euros)	
Share Capital	
Share Premium	
Revaluation Surplus	
Reserves	
Retained Earnings	
Total	

Exercise 7– Full Consolidation

Firm **ABC** owns part of **BCD**, acquired in the beginning of N for 300,000€. At the acquisition date, Owners' Equity of **BCD** was:

Capital	375,000 €
Reserves	60,000 €
Retained Earnings	(5,500) €

The acquired nominal value was 225,000 €.

The following information refers to year N:

1. Sales of **BCD** to **ABC** summed up to 175,000 €. The margin was 20% on sales price. Firm **ABC** had left in stock, at 31/12/N, 60,000 € of those inventories.
2. **BCD** debited 15,000 € to **ABC**, corresponding to diverse services.
3. Regarding 2., 7,500 € are still unpaid.
4. Sales of **ABC** to **BCD** during N were 25,000 €, and the margin was 10% on sale price. Firm **BCD** sold outside the firm all the merchandize bought to **ABC**.

Requests:

Full consolidation using the tables provided.

Balance Sheet 31/12/N

	ABC	BCD	ABC+BCD	Adjustments		Consolidated
				Debit	Credit	
Assets						
Intangible Assets	62,500	20,000				
Tangible Assets	287,500	153,000				
Financial Investments	325,000	10,000				
Inventories	608,000	410,000				
Accounts Receivable	975,000	455,000				
Cash and Equivalents	140,000	35,000				
Total Assets	2,398,000	1,083,000				
Owners' Equity and Liabilities						
Capital	700,000	375,000				
Reserves	30,000	60,000				
Retained Earnings	90,000	-5,500				
Net Income	64,500	22,500				
Non-Controlling Interests						
NCI						
NCI - NI						
Trade Payables	1,513,500	631,000				
Total O.E. and Liabilities	2,398,000	1,083,000				

Income Statement 31/12/N

	ABC	BCD	ABC+BCD	Adjustments		Consolidated
				Debit	Credit	
Sales	4,880,500	2,190,000				
Services Revenue	64,000	16,000				
C.O.G.S.	-3,725,000	-1,750,000				
External Services and S. E.	-490,000	-151,000				
Staff Expenses	-395,000	-200,500				
Depreciation	-22,500	-27,000				
Adjustments (Write-downs)	-32,000	-6,000				
Financial Expenses	-215,500	-49,000				
Net Income	64,500	22,500				
NI - Group						
NI - NCI						