UNDERGRADUATE DEGREES –
MANAGEMENT/FINANCE/ECONOMICS

Financial Accounting II

Autonomous Work Exercises

2026/2027

This set of additional exercises has been prepared to support the study of Financial Accounting II. All exercises are drawn from past exams and are intended to reinforce key concepts. However, they do not replace the comprehensive study of the topics covered in both theoretical and practical classes.

Part 1

A. Circle the answer that is correct / more complete.

Firm CAETANO JOSÉ S.A. produces and sells rabbit food. During year N, several events occurred. Please help the accountant decide on how record the different situations described.

1.1. The company received a non-refundable grant in the amount of 100,000 euros. This amount was received in N, in the following conditions: (i) 50,000 euros to finance 50% of the investment in Basic Equipment, for which estimated useful life is 10 years. The residual value of that equipment is 10,000 euros. The depreciation method is the straight-line method; (ii) 20,000 euros to finance the firm's activities; (iii) the rest to be used for staff training throughout years N, N+1 and N+2.

Adopting IFRS's, regarding the grant, in the financial statements at 31/12/N, the company should present:

a) 20,000 euros in account "Deferrals - Pre-Paid Expenses"
b) 20,000 euros in account "Deferrals - Pre-Received Revenues"
c) 65,000 euros in account "Deferrals - Pre-Paid Expenses"
d) 65,000 euros in account "Deferrals - Pre-Received Revenues"

1.2. The company signed a leasing contract on 01/12/N, to acquire Transportation Equipment in the total amount of 75,000 euros. The useful life of the equipment is 5 years. The term of the contract is 3 years and includes a purchase option at the end of the contract. The payment of rents is made at the beginning of each semester in the amount of 6,000 euros. The 6-month interest rate is 3% and VAT deductible is 23%. In year N, the company should recognize:

a) A pre-paid expense of 375 euros and a depreciation expense of 15,000 euros.
b) A pre-paid expense of 1,875 euros and a depreciation expense of 25,000 euros.
c) A financial expense of 375 euros and a depreciation expense of 15,000 euros.
d) A financial expense of 1,875 euros and a depreciation expense of 15,000 euros.

1.3. Which of the following events changes the value of Owners' Equity?

a) Value added tax paid out to the tax authority

b) Own shares purchased at market price

c) Merchandize purchased on account

d) Equipment purchased in cash

1.4. At the end of year N, CAETANO JOSÉ S.A.'s balance sheet contained the following information (in euros):

	N	**N-1**
Trade Accounts Receivable	200,000	420,000
Trade Accounts Payable	600,000	900,000
Inventories	100,000	450,000
Net Sales	1,000,000	800,000
Cost of Goods Sold	4,100,000	3,900,000

Indicate the amount to be presented in the Cash Flow Statement of N under the heading "Payments to Suppliers" (ignore VAT):

a) 4,040,000 euros

b) 3,750,000 euros

c) 4,050,000 euros

d) 3,760,000 euros

SOL: 1 - d, 2 - c, 3- b, 4- c

B. **Company CAETANO JOSÉ S.A. builds furniture for rabbit houses and signed, on September 1st of N, a leasing contract for the use of a machine for a period of 4 years, with payment of semi-annual rents in arrears (at the end of the period) of 25,375 euros. The contract contains a purchase option of 10,375 euros enabling the company to purchase the machine at the end of the contract. The implicit semi-annual interest rate is 5%. The value of the leasing contract of the machine is 200,000 euros, and the useful life of the machine is 5 years. The company adopts the annual straight-line method for the depreciation of the machine. The leasing contract is subject to VAT at a 23% rate.**

Record in the Journal the relevant entries related to N

	Debit	Credit

SOL

		Debit	Credit
September 1st of N	ROU	200,000	
	Obtained Loans – Financial Leasing		200,000
December 31st of N	Accrued Expenses – Financial Leasing Interest		6,666,67
	Financial Expenses – Borne Interests	6,666,67	
	Depreciation expenses	40,000	
	ROU – Accumulated depreciation		40,000

Calculations:

Depreciation = 200,000 / useful life (because there is a purchase option) = 200,000 / 5 = 40,000

Interest expense = 200,000 x 5% x 4/6 = 6,666.67

C. The shareholder's equity of firm CAETANO JOSÉ REAL ESTATE LTD. at December 31st/N had the following values (in euros):

	31/12/N	31/12/N-1
Capital	400,000	150,000
Share Premium	100,000	0
Own Shares (NV)	(16,000)	(4,000)
Own Shares (P/D)	(250)	(1,000)
Legal Reserves	40,000	28,750
Free Reserves	15,500	42,250
Retained Earnings	83,000	55,000
Net Income	(15,000)	40,000

The following information was also available:

- At the end of N, the company had 4,000 own shares in their balance sheet.
- The own shares held at N-1 were all acquired in that year.
- The capital increase occurred in July/N in the following way:
  - 15,500 euros (nominal value) by incorporation of free reserves.
  - 34,500 euros (nominal value) by conversion of suppliers' debt.
  - The remaining by cash realization in the market through an offer for new shareholders.
- In year N+1, the General Assembly approved the appropriation of net income of year N. The decision was the following:
  - Coverage of accumulated losses.
  - 5% of the remaining for legal reserves.
  - 10% distributed as dividends.
  - The remaining is to be kept in Retained Earnings.
- In April/N+1, the company sold 50% of the own shares at for 6 euros/each. The company adopts FIFO.

Note: In case you are unable to determine the nominal value of the shares, use a nominal value of 2 euros/share.

Fill-in the following table:

1.	Nominal value, per share, of the company's shares	
2.	Book value of the outstanding shares at 31/12/N	
3.	Issue price of new shares in the capital increase of N for new shareholders	
4.	Amount of the dividends distributed in year N+1 (in euros)	

Calculations:

2 – Record in the Journal the acquisition of own shares of N:

(2 points)

	Debit	Credit

SOL

1 – Fill-in the following table:

1.	Nominal value, per share, of the company's shares	4€/share
2.	Book value of the outstanding shares at 31/12/N	6,07 €/share
3.	Issue price of new shares in the capital increase of N for new shareholders	6€/share
4.	Amount of the dividends distributed in year N+1 (in euros)	0

Calculations:

NV= 16,000€ from Own shares (NV)/4,000 own shares= 4€/share

shares= 400,000 / 4 = 100,000 shares

Total Shareholder's Equity (N) = 607,250 €

Book Value = 607,250 €/100,000 shares = 6,07 €/share

New shares issued for the market in N:

- The increase in Share Capital was 200,000 euros → 50,000 shares
- The issue price was 200,000 euros + 100,000 euros of share premium = 300,000 euros
- Therefore, the issue price was 300,000 euros/50,000 shares = 6€/shares

No dividends distributed in N+1, since the net income of N is negative

2 – Record in the <u>Journal</u> the acquisition of own shares of N:

(2 points)

3,000 own shares acquired in N (16000-4000)/4

There was a discount of 750 euros in acquisition of own shares (1,000-250)

Therefore, the acquisition price was 12,000-750= 11,250 → 3.75€/share

		Debit	Credit
Own Shares (N)			
	Own Shares (NV)	12,000	
	Own Shares (P/D)		750
	Demand Bank Deposits		11,250
	Free Reserves	11,250	
	Legal Reserves		11,250

D. Circle the answer that is correct / more complete.

1. Which of the following sentences is <u>true</u> about own shares:

a) The firm cannot buy own shares below par value

b) The Own Shares (NV) account appears with a debit balance in the trial balance

c) The Own Shares (NV) can be used to cover accumulated losses

d) None of the above

2. Firm ABC Ltd. repurchased, for the first time, 10,000 own shares in N-1. The partial composition of Shareholders' Equity at the end of N-1 was as follows (in euros):

	31/12-N-1
Share Capital	1,000,000
Own Shares (NV)	(100,000)
Own Shares (P/D)	10,000
Reserves	500,000

Which of the following sentences is <u>true</u>?

a) The nominal value of each share is 9 euros and the price paid for each own share is 10 euros

b) The nominal value of each share is 50 euros and the price paid for each own share is 10 euros

c) The nominal value of each share is 10€ and the price paid for each own share is 50 euros

d) The nominal value of each share is 10€ and the price paid for each own share is 9 euros

3. Consider the following information taken from a company's balance sheet (in euros):

	N	N-1
Trade Accounts Receivable	200,000	420,000
Trade Accounts Payable	600,000	900,000
Inventories	100,000	450,000
Net Sales	1,000,000	800,000
Cost of Goods Sold	4,100,000	3,900,000
Deferrals - Pre-received revenues	10,000	0

Indicate the amount to be presented on the Cash Flow Statement of N under the heading "Receipts from Customers" (ignore VAT):

a) 1,080,000 euros

b) 1,510,000 euros

c) 1,230,000 euros

d) 1,220,000 euros

SOL: 1 - b, 2 - d, 3- c

E. On June 1st of N, firm ABC, S.A. will increase its capital by 75 million euros (nominal value). Just before the operation, Shareholders' Equity was as follows:

Shareholders' Equity:	in thousands of euros
Share Capital	300,000
Share Premium	20,000
Reserves	40,000
Retained Earnings	35,000
Total Shareholders' Equity	345,000

Knowing that:

- Share capital, after the capital increase, will be represented by 50 million shares outstanding;
- Before the capital increase, the market value of all of the shares outstanding is 360 million euros;
- In the capital increase, the new shares will be issued at market price;
- The payment of the new shares subscribed will be made 5 days after the issue date.

1. Determine the number of new shares to be issued (show the calculations):

2. Determine the total amount of cash inflow for the company with this operation (show the calculations):

3.Determine the premium or discount amount of the capital increase (show the calculations):

4.Record in the journal the relevant accounting entries regarding the capital increase:

SOL

1. Determine the number of new shares to be issued (show the calculations):

Nominal Value per share = 375,000,000/50,000,000 = 7.5 €

New shares issued = 75,000,000/7.5 = 10,000,000 shares

2. Determine the total amount of cash inflow for the company with this operation (show the calculations):

Issue price = 360,000,000/40,000,000 = 9 €

Cash inflow = 10,000,000 shares x 9 € = 90,000,000 €

3.Determine the premium or discount amount of the capital increase (show the calculations):

Premium per share = 9 – 7.5 = 1.5 €

Total premium = 10,000,000 shares x 1.5 € = 15,000,000 €

4.Record in the journal the relevant accounting entries regarding the capital increase:

	Debit	Credit
Capital subscription:		
51 – Share Capital		75,000,000
54 – Share Premium		15,000,000
261 – Shareholders w/ subscription	90,000,000	
Subscription settlement:		
261 – Shareholders w/ subscription		90,000,000
12 – Bank Deposits	90,000,000	

Part 2

A. Circle the answer that is correct / more complete.

1. According to IAS 38, which of the following may be recognized as an intangible asset in a company's separate financial statements?

a) Expenditure on training employees to operate new machinery

b) Internally developed customer loyalty programs

c) Patent acquired from another entity through a purchase transaction

e) Research costs related to developing a new technology

2. In year N, Silva, S.A. incurred €250,000 in research costs and €500,000 in development costs related to a new software project. The company amortizes its recognized intangible assets over 5 years. At the end of the period (December 31, N), the recoverable amount of the intangible asset is estimated at €450,000. Determine the amount of expenses to recognize in the income statement and the carrying amount of intangible assets to report on the balance sheet for the year ending December 31, N.

a) Expenses €350,000; Intangible assets €450,000

b) Expenses €400,000; Intangible assets €450,000

c) Expenses €400,000; Intangible assets €400,000

d) Expenses €350,000; Intangible assets €400,000

3. Empresa Costa, S.A. sells products with a one-year warranty that covers repair costs. Small repairs cost €25 per unit, while major repairs cost €60 per unit. Small and major repairs are equally likely. It is estimated that around 8% of the 1.5 million units sold will require repairs. Determine the amount the company should recognize in its financial statements and how it should be classified.

a) A liability and an expense of €5,100,000

b) An asset and an expense of €9,000,000

c) A contingent liability of €9,000,000

d) None of the above

SOL: 1 - c, 2 - d, 3- a

4. Consider the following information regarding the tangible assets of the company "WhimsyWorks, SA" as of 31/12/N (in euros):

Items	Gross Value	Accumulated Depreciation	Accumulated Impairment Losses	Fair Value – Costs of Selling	Fair Value	Value-in-Use
Land	225,000	0	0	189,000	193,500	180,000
Buildings	720,000	180,000	0	639,000	648,000	675,000
Transport equipment	216,000	81,000	0	108,000	108,200	135,000
Basic equipment	1,125,000	225,000	0	900,000	900,000	990,000
Administrative equipment	225,000	56,250	15,750	162,000	162,000	157,500

Additional information:

i. 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

ii. 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 22,500 for Land and of 112,500 for Buildings.

a) **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 in impairment in year N					
Reversal of impairment in year N					
Revaluation in year N					

b) **Record in the journal of the necessary accounting entries.**

	Debit	Credit

SOL

a) 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)	225,000	540,000	135,000	900,000	153,000
Recoverable amount	189,000	675,000	135,000	990,000	162,000
Impairment? Y/N	Y	N	N	N	N
Increase in impairment in year N	36,000				
Reversal of impairment in year N					9,000
Revaluation in year N		108,000			

b) Record in the journal of the necessary accounting entries.

	Debit	Credit
Adjustment in Land		
Rev. Surplus	22,500	
Impairment losses	13,500	
TA – Acc. impairment losses		36,000
Reversal of impairment in Admin. Equipment		
TA – Acc. impairment losses	9,000	
Reversals – Impairment losses in TA		9,000
Revaluation of Building		
TA-original cost		72,000
TA – Acc. Depreciation	180,000	
Rev. Surplus		108,000

5. Consider the following information concerning company "ALPHA, SA" and merchandise X, on 31/12/N:

- Batch 1: Total cost of acquisition: 84,000 euros (400 units)
- Batch 2: Total cost of acquisition: 150,000 euros (600 units)
- Sale price per unit on 31/12/N: 310 euros
- Estimated cost to sell each unit: 90 euros
- Costing method: weighted average cost

a) Fill in the following table:

1.	Net Realizable Value at 31/12/N	
2.	Total value of merchandise X on the balance sheet at 31/12/N	

Calculations:

b) In January of year N+1, indicate the gross profit the company achieves from selling 500 units of merchandise X for 310 euros per unit. (present calculations) (0.5 points)

Calculations:

SOL

a) Fill in the following table:

1.	Net Realizable Value at 31/12/N	220
2.	Total value of merchandise X on the balance sheet at 31/12/N	216,000

Calculations:

- Batch 1 unit cost = 84,000 / 400 = 210 euros
- Batch 2 unit cost = 150,000 / 600 = 250 euros
- NRV = 310 – 90 = 220 euros

Carrying amount of each batch:
- Batch 1: 210
- Batch 2: 220

Total value: = 400 × 210 + 600 × 220= 84,000 + 132,000= 216,000 euros

b) In January of year N+1, indicate the gross profit the company achieves from selling 500 units of merchandise X for 310 euros per unit. (present calculations) (0.5 points)

Calculations:

Sales revenue = 500 × 310 = 155,000 euros

WAC/unit=216,000 / (400+600) = 216

COGS= 216 x 500 = 108,000

Gross profit = 155,000 – 108,000 = 47,000 euros

B. Circle the answer that is correct / more complete.

1.KIDSPLAY, SA is a company that produces toys. In year N, a client filed a lawsuit against the company due to delays in the delivery of toys and asked for a compensation of 50,000 euros. The company's lawyers consider that the probability of losing the lawsuit is 40%. Based on the above information, in year N, the company should:

a) Recognize an asset in the Statement of Financial Position in the amount of 30,000 euros.
b) Recognize a liability in the Statement of Financial Position in the amount of 20,000 euros.
c) Recognize a liability in the Statement of Financial Position in the amount of 50,000 euros.
d) Disclose a contingent liability.

2. Firm SUSTAINBLE FUELS buys and sells gasoline. The firm purchased a million litres of gasoline in one lot in year N-1. The price per litre was 1,05 euros and transportation costs 2.000 euros. The net realizable value at 31/12/N-1 was 0,95 euros per litre. At the beginning of year N, the firm purchased another million litres of gasoline in one lot. The price per litre was 0,85 and transportation costs 1.500 euros. In year N, the firm sold 1,5 million litres of gasoline to a client for 1 euro a litre. The net realizable value in 31/12/N was 1,10 euros. The firm uses FIFO criteria. By the end of years N-1 and N the value of inventories was:

a) 1.052.000 euros by the end of year N-1 and 425.500 euros by the end of year N.
b) 950.000 euros by the end of year N-1 and 425.750 euros by the end of year N.
c) 950.000 euros by the end of year N-1 and 550.000 euros by the end of year N.
d) 1.052.000 euros by the end of year N-1 and 550.000 euros by the end of year N.

3.According to IAS 38 (Intangible Assets), which may be recognized as an intangible asset in a company's separate financial statements?:

a) Research costs related to a new product.
b) An acquired brand.
c) An internally generated customer list.
d) The potential receipt of a compensation in a lawsuit.

4. AB Company sells products with a one-year warranty that covers repair costs. Small repairs cost €20 per unit; major repairs €50 per unit. Small and large repairs are equally likely to take place. It is estimated that around 10% of the 2 million units sold will need repairs. The company must recognize:

a) A liability and an expense of 7 million euros.
b) An asset and an expense of 7 million euros.
c) A contingent liability of 7 million euros.
d) None of the above.

SOL: 1 - d, 2 - b, 3- b, 4- a

C. Consider the following information regarding the tangible assets of company "CAETANO & FAMILY, SA" on 31/12/N (in euros):

Tangible Assets	Gross Value	Accumulated depreciation	Accumulated impairment losses	Fair value – cost of selling	Fair value	Value in use
Land	500,000	0	0	450,000	480,000	400,000
Buildings	800,000	200,000	0	860,000	900,000	1,000,000
Transport Equipment	220,000	60,000	0	90,000		160,000
Basic Equipment	1,100,000	350,000	0	1,110,000	1,150,000	1,500,000
Administ. Equipment	180,000	32,000	6,400	175,000		170,000

Additional information:

- The above data already include the depreciation of year N, but does not consider the treatment of the impairment regarding the period ending on 31/12/N.
- The company adopts the cost model for every item, except for land and buildings, for which the revaluation model is adopted.
- There are revaluations surpluses outstanding of 40,000 euros for land and 200,000 euros for buildings.

a) Fill-in the following table:

	Land	Buildings	Transport Equipment	Basic Equipment	Administ. Equipment
Carrying amount					
Recoverable amount					
Impairment? (Y/N)					
Net increase in 'Impairment losses' in Year N					
Reversal of impairment in year N					
Accumulated impairment in 31/12/N					
Revaluation in year N					

b) Record in the journal of the necessary accounting entries.

	Debit	Credit

c) **Consider the following information concerning company "CAETANO & PUREZA, SA" and merchandise M, on 31/12/N:**

- Batch 1: Total cost of acquisition: 120,000 euros (750 units).
- Batch 2: Total cost of acquisition: 204,000 euros (850 units).
- Sale price per unit on 31/12/N: 320 euros.
- Estimated cost to sell the merchandise: 85 euros.
- Costing method: weighted average cost.

Fill-in the following table:

1.	Net Realizable Value at 31/12/N	
2.	Total value of merchandise M on the balance sheet at 31/12/N	

SOL

a. **Fill-in the following table:**

	Land	Buildings	Transport Equipment	Basic Equipment	Administ. Equipment
Carrying amount	500,000	600,000	160,000	750,000	141,600
Recoverable amount	450,000	1,000,000	160,000	1,500,000	175,000
Impairment? (Y/N)	Yes	No	No	No	No
Net increase in 'Impairment losses' in Year N	10,000				
Reversal of impairment in year N					6,400
Accumulated impairment in 31/12/N	50,000				
Revaluation in year N		300,000			

b) **Record in the journal of the necessary accounting entries.**

	Debit	Credit
Adjustment in Land		
Rev. Surplus	40,000	
Impairment losses	10,000	
TA – Acc. impairment losses		50,000
Reversal of impairment in Admin. Equipment		
TA – Acc. impairment losses	6,400	
Reversals – Impairment losses in TA		6,400
A solution that cleans Acc. Depreciation first:		
TA-original cost	100,000	
TA – Acc. Depreciation	200,000	
Rev. Surplus		300,000

c) **Consider the following information concerning company "CAETANO & PUREZA, SA" and merchandise M, on 31/12/N:**

- Batch 1: Total cost of acquisition: 120,000 euros (750 units).
- Batch 2: Total cost of acquisition: 204,000 euros (850 units).
- Sale price per unit on 31/12/N: 320 euros.
- Estimated cost to sell the merchandise: 85 euros.
- Costing method: weighted average cost.

1.	Net Realizable Value at 31/12/N	235
2.	Total value of merchandise M on the balance sheet at 31/12/N	319,750

Calculations:

Batch 1 → Cost per unit = 120,000 / 750 = 160

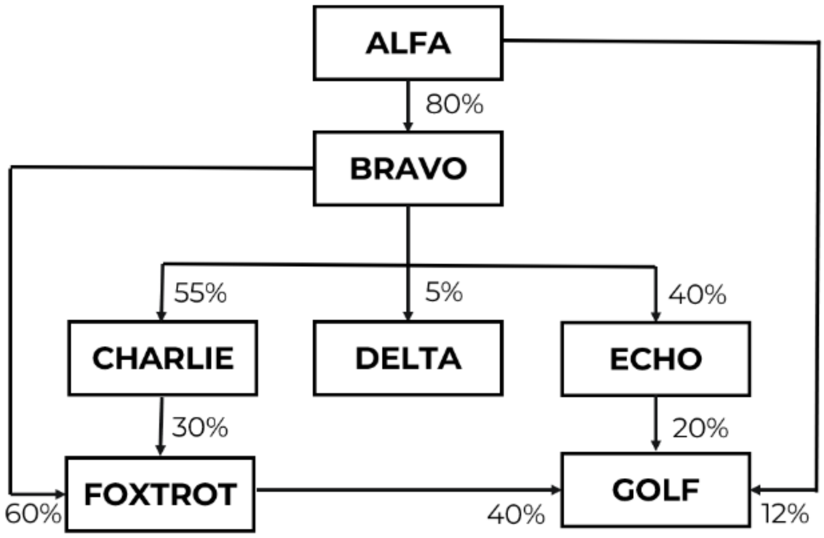
Batch 2 → Cost per unit = 204,000 / 850 = 240

NRV = 320 - 85 = 235

Total value of merchandise M on the balance sheet at 31/12/N = 750 units x 160 + 850 units x 235 = 120,000 + 199,750 = 319,750 euros

Part 3

A. **Company *"ALFA, S.A."* is the parent-company of a group of companies. On 31/12/N, the group's financial interests are indicated in the figure below.**



Indicate the percentage of interest, the percentage of control, and the consolidation method the parent company should apply to each of the companies. Fill-in the table and present the calculations:

Company	Percentage of Interest	Percentage of Control	Consolidation Method
Bravo			
Charlie			
Delta			
Echo			
Foxtrot			
Golf			

SOL

Company	% of interest			% of control			Consolidation method
	Direct	Indirect	Total	Direct	Indirect	Total	
BRAVO	80.00%	-	**80.00%**	80.00%	-	**80.00%**	*Full Consolidation*
CHARLIE	-	44.00%	**44.00%**	-	55.00%	**55.00%**	*Full Consolidation*
DELTA	-	4.00%	**4.00%**	-	5.00%	**5.00%**	*FV or cost*
ECHO	-	32.00%	**32.00%**	-	40.00%	**40.00%**	*Equity Method*
FOXTROT	-	61.20%	**61.20%**	-	90.00%	**90.00%**	*Full Consolidation*
GOLF	12.00%	30.88%	**42.88%**	12.00%	52.00%	**64.00%**	*Full Consolidation*

B. The shareholders of companies EPSILON and RHO agreed to merge the two companies. Company EPSILON will be incorporated into company RHO. Company RHO will increase its capital by issuing new shares to be delivered to shareholders of company EPSILON. The following information is available (in euros):

	EPSILON	RHO
Share Capital	200,000	1,400,000
Shareholders' Equity	500,000	2,100,000
Nominal value per share	0.5	2.00

Company EPSILON owns a land that has a fair value of 100,000 euros higher than the amount reported in the company's financial statements.

1.1 Compute the book value per share of each company and determine the rate of exchange of shares (present the calculations).

1.2. Considering the available information, determine the amount of the capital increase (present the calculations).

1.3. Considering the available information, determine the merger premium (if any; present the calculations).

2. **At the beginning of year N, company IOTA acquired 30% of the capital of company LAMBDA for 100,000 euros. During year N, company LAMBDA generated a net income of 6,000 euros, distributed dividends in the amount of 2,000 euros and recognized a revaluation surplus of 500 euros.**

   Indicate the amount of "Financial Investment" to report on the Balance Sheet of company "IOTA" at 31/12/N, using the appropriate method (explain the method used and why; present calculation)**:**

3. **Company ZETA sold to company OMICRON (subsidiary of ZETA) merchandize in the amount of 90,000 euros with a margin of 18% over the cost price. Company OMICRON sold half of the merchandize to third parties outside the group for 88,000 euros.**

   Record in the journal of the necessary accounting entries for the preparation of the consolidated financial statements of company ZETA:

	Debit	Credit

SOL

1.1. Compute the book value per share of each company and determine the rate of exchange of shares (present the calculations).

Company EPSILON → Number of shares = 200,000 € / 0.5 € = 400,000 shares
Company EPSILON → FV per share = 600,000 € / 400,000 shares = 1.50 euros per share

Company RHO → Number of shares = 1,400,000 € / 2.00 € = 700,000 shares
Company RHO → FV per share = 2,100,000 € / 700,000 shares = 3.00 euros per share

Rate of Exchange = FV per share of EPSILON / FV per share of RHO = 1.50 € / 3.00 € = 0.50

Number of shares of RHO to be issued = 400,000 x 0.5 = 200,000 shares of RHO

1.2. Considering the available information, determine the amount of the capital increase (present the calculations).

Capital increase = 2.00 (par value shares) × 200,000 (new shares issued by ONE) = 400,000 euros

1.3. Considering the available information, determine the merger premium (if any; present the calculations).

Merger Premium = Net assets of Firm EPSILON at fair value (600,000) minus Capital increase (400,000)
= 200,000 euros

2. **At the beginning of year N, company IOTA acquired 30% of the capital of company LAMBDA for 100,000 euros. During year N, company LAMBDA generated a net income of 6,000 euros, distributed dividends in the amount of 2,000 euros and recognized a revaluation surplus of 500 euros.**

   Indicate the amount of "Financial Investment" to report on the Balance Sheet of company "IOTA" at 31/12/N, using the appropriate method (explain the method used and why; present calculation)**:**

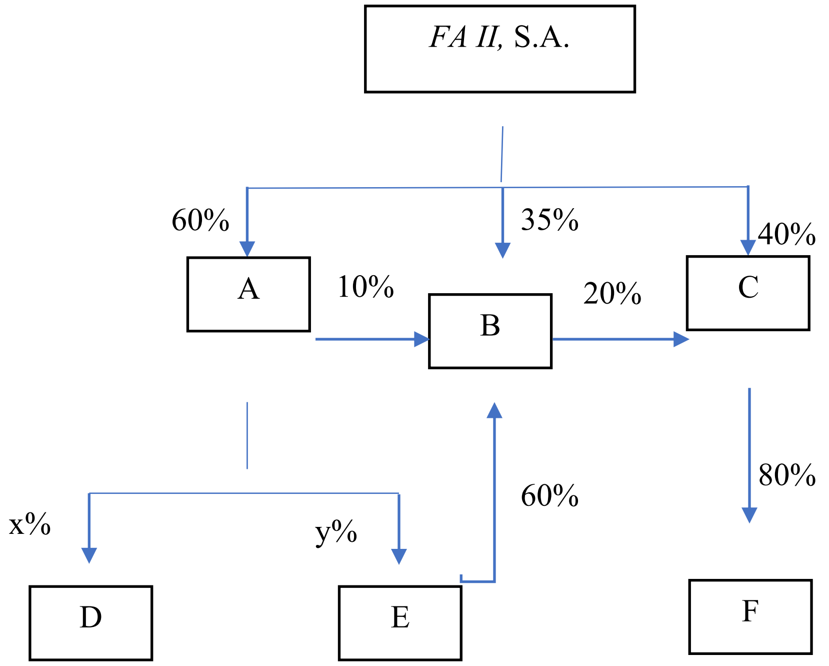
   Financial investment = 100,000 + 30% x (6,000 – 2,000 + 500) = 101,350

3. **Company ZETA sold to company OMICRON (subsidiary of ZETA) merchandize in the amount of 90,000 euros with a margin of 18% over the cost price. Company OMICRON sold half of the merchandize to third parties outside the group for 88,000 euros.**

   Record in the journal of the necessary accounting entries for the preparation of the consolidated financial statements of company ZETA:
   (1.0 point)

	Debit	Credit
Sales revenue	90,000	
COGS		81,900
Inventories		8,100

C. Company *"FA2, S.A."* is the parent-company of a group of companies. On 31/12/N, the group's financial interests are indicated in the figure below.
(2.5 points)



Indicate the percentage of interest, the percentage of control, and the consolidation method the parent company should apply to each of the companies. Fill-in the table and present the calculations:

Company	Percentage of Interest	Percentage of Control	Consolidation Method
A			
B			
C			
D	42%		
E		5%	
F			

Calculations and justification of consolidation method:

SOL

Company	Percentage of Interest	Percentage of Control	Consolidation Method
A	60%	60%	Full
B	42.8%	45%	Equity
C	48.56%	40%	Equity
D	42%	70%	Full
E	3%	5%	FV or cost
F	38.848%	0%	FV or cost

D. The shareholders of companies ONE and TWO agreed to merge the two companies. Company TWO will be incorporated into company ONE. Company ONE will increase its capital by issuing new shares to be delivered to shareholders of company TWO. The following information is available (in euros):

	ONE	TWO
Share Capital	500,000	200,000
Shareholders' Equity	1,700,000	800,000
Nominal value per share	1.25	0.5

Company TWO owns a building that has a fair value of 50,000 euros higher than the amount reported in the company's financial statements.

1. **Compute the book value per share of each company and determine the rate of exchange of shares** (present the calculations).

2. **Considering the available information, determine the amount of the capital increase** (present the calculations).

3. **Considering the available information, determine the merger premium** (present the calculations).

SOL

1. **Compute the book value per share of each company and determine the rate of exchange of shares** (present the calculations).

Company ONE → Number of shares = 500,000 € / 1.25 € = 400,000 shares
Company ONE → FV per share = 1,700,000 € / 400,000 shares = 4.25 euros per share

Company TWO → Number of shares = 200,000 € / 0.5 € = 400,000 shares
Company TWO → FV per share = 850,000 € / 400,000 shares = 2.125 euros per share

Rate of Exchange = FV per share of TWO / FV per share of ONE = 2.125 € / 4.25 € = 0.5

Number of shares of ONE to be issued = 400,000 x 0.5 = 200,000 shares of ONE

2. **Considering the available information, determine the amount of the capital increase** (present the calculations).

Capital increase = 1.25 (par value shares) × 200,000 (new shares issued by ONE) = 250,000 euros

3. **Considering the available information, determine the merger premium** (present the calculations).

Merger Premium = Net assets of Firm TWO at fair value (850,000) minus Capital increase (250,000)
= 600,000 euros

E. At the beginning of year N, company "ABC" acquired 45% of the capital of company "XYZ" for 800,000 euros. During the year, company "XYZ" generated a net income of 60,000 euros, distributed dividends in the amount of 30,000 euros and recognized a revaluation surplus of 25,000 euros.

Indicate the amount of "Financial Investment" to report on the Balance Sheet of company "ABC" at 31/12/N, using the Equity Method:

SOL

Financial investment = 800,000 + 0.45% x (60,000 – 30,000 + 25.000)