

Name: _____ Number: _____

Rules

1. It is forbidden to separate the pages;
2. You must show your computations, and answer succinctly and with understandable writing in all answers;
3. There's no penalty for wrong answers in multiple choices' questions;
4. All answers are to be given in these pages.

Part I (8,0 marks)

A. Regarding all the elements presented to you, choose the most correct answer by crossing your choice. (2,5 marks)

1. Consider the following information about company XPTO' Financial Statements (in Euros):

	2019	2018
Inventories	850.500	745.000
Accounts Receivables	576.000	597.500
Accounts Payables	620.000	445.200
Sales	6.540.000	5.790.000
Cost of Sales	5.900.000	4.580.000

1.1. In the Statement of Cash Flows, money received from selling Bonds that the firm held on a subsidiary is classified as:

- a) Operating Activities, as *Receiving from Clients*
- b) Operating Activities, as *Other Receivings*
- c) Investment Activities
- d) Financing Activities

1.2. What amount should be in the Statement of Cash flows of 2019 regarding "Payments to Suppliers"? (ignore any tax effects):

- a) 5.725.200€
- b) 6.005.500€
- c) 5.830.700€
- d) 5.900.000€

2. In 2016, a company that leases assets for its own use classified its new leases as financing leases instead of as operating leases, its financial statements in that first year would most likely report:

- a) Higher equity
- b) Higher debt
- c) Lower Assets
- d) Lower revenues

3. On the 1st of October 2018, firm SNC signed an Operating Leasing contract regarding the use of a Truck whose value was 30.000€. SNC must pay an annual rent, due at the beginning of each year of the contract in the amount of 4.250€. The depreciation rate for these assets is 12.5%. Which amount should the firm record as an expense in 2018?

- a) An Expense of 4.250€
- b) An Expense of 3.750€
- c) An Expense of 3.187,5€
- d) An Expense of 1.062,5€

4. In January 2018, a firm received a subsidy to acquire a machine to produce a new product. The machine cost 100.000€ and was available to operate in 2018. The subsidy amounted to 75% of the amount spent in the machine. The useful life of this equipment is 5 years.

Additionally, the same firm obtained another subsidy in the amount of 230.000€ to do some training of its employees related to safety in the workplace. This training happened during 2018 and 2019.

Which of the following is TRUE relatively to 2018?

- a) The firm records revenues of 130.000€ and expenses of 20.000€
- b) The firm records revenues of 115.000€
- c) The firm records revenues of 115.000€ and expenses of 20.000€
- d) The firm records revenues of 190.000€

B. In 31st December 2018, firm KLM S.A.' Owners Equity was as follows:

(5,5 marks)

	Amount
Capital*	250.000
Own Shares (Nominal Value)	(10.000)
Own Shares (Discount & Premium)	2.500
Legal Reserves	50.000
Free Reserves	65.000
Transitory Results	(15.000)
Net Income	40.000

*Capital relates to 50.000 Shares

Additional Information:

- The firm bought all Own Shares in September 2018.
- At 15th March 2019, Shareholders agreed to the following application of Net Income:
 - 50% for dividends
 - Covering of the entire amount of accumulated losses
 - 10% for Legal Reserves
 - The remaining for Free Reserves.
- At 31st March 2019, it was decided to sell all Own shares at a price of 5€ each.
- At 15th May 2019, Shareholders agreed in increasing capital 120.000€. Such increase will be realized with transferring Free Reserves in the amount of 65.000€, and the remaining will be relative to new shares issued. New Shares will be issued at a value equal to Book Value of existing shares after the Net Income Application.
- At 15th June 2019, the entire amount relative to new shares issued was received in cash.

Requests:

1. Determine Nominal Value and Book Value of each share at 31st de December 2018.

Part II (7,0 marks)

A. Regarding all you learned about International Accounting Standards, choose the most correct answer by crossing your choice. (1,5 marks)

1. A company owns its own office building which it purchased in 2016 for €1.000.000. The real estate market has been volatile in the last few years. The company uses the revaluation model as allowed by IFRS and the following table shows the fair market values since 2016:

Year	Year-End Fair Market Value (€ thousands)
2016	1.000
2017	600
2018	800
2019	1.300

The impact (in € thousands) on the income statement in 2019 will most likely be a gain of (ignoring depreciations):

- a) 200
 b) 300
 c) 500
 d) 700
2. According to IAS 16, which method(s) can be used to subsequent measurement of Fixed Tangible Assets?
- e) Current Cost Method
 f) Cost Method or Revaluation Method
 g) Cost Method
 h) Revaluation Method
3. According to IFRS, the cost of a Marketing Campaign should be recognized as:
- a) Intangible Asset
 b) Intangible Asset and amortized according to straight line method during 3 years
 c) Intangible Asset and amortized according to straight line method during 5 years
 d) Expenses in the period they occurred

B. During a conversation with ALPHATROIKA, S.A.’ Accountant, you were informed of the following situations: (4,0 marks)

1. A retailer that prepares its financial statements in accordance with IFRS has 100 office chairs in its inventory with a suggested retail price of € 240 each. It paid on average € 200 each to a supplier for these chairs. Demand for office chairs has been low for quite a while and the retailer estimates it can sell those chairs for € 180 each if it offers free shipping to its customers at an average cost of € 10 per chair. The supplier has also lowered its price to \$160 in response to the low demand. During the year the firm sold 50% of those chairs for cash at this price and offering the shipping costs.
2. At 1st January 2018, “Buildings and Other Installations” had a book value of 150.000 euros. According to a Real Estate Expert’ assessment during the 1st quarter of 2018, those assets had a market value increase of 20%. At the time of this revaluation, the assets had been depreciated to half of its useful life (10 years). The company applies the straight line method of depreciation and the revaluation method to these assets.

Taking into account that the firm discloses Financial Statements according to IAS/ IFRS, Identify how should the situations described be recorded in the Financial Statements. Justify all your choices.

C. After all regularization and end-of-period records at 31/12/2018, The following is known regarding ALPHATROIKA, S.A' Financial Statements: (1,5marks)

Balance Sheet:

- Basic Equipment: 70.000 euros

Income Statement:

- Impairment Losses in Basic Equipment: 10.000 euros

Annex:

- Financial Statements according to IAS/IFRS
- Basic Equipment is recorded according to Cost method and depreciated according to straight line method
- Basic Equipment acquired in 2016, useful life of 5 years and there isn't any accumulated impairments before 2018.
- Contingency in the amount of 20.000 euros

Requests:

- 1) How much is the acquisition value, the net recoverable amount and the accumulated depreciations of the Basic equipment at 31st December 2018?
- 2) Describe a situation that could justify the contingency disclosed in the Annex.

Part III (5,0 marks)

A – Firm **A** is the parent-company of an economic group that includes 6 companies, whose financial participations are as follows:

- **Firm A** owns 25% of Firm **B**, 60% of Firm **C**, 55% of Firm **D** and 25% of Firm **E**;
- **Firm C** owns 20% of Firm **D**;
- **Firm E** owns 60% of Firm **F**;
- Shareholders of Firm **B** have an agreement to control the company together.

Fill in the Blanks:

(1,25 marks)

Firm	% Fin. Part.	% Control	Consolidation Method
B			
C			
D			
E			
F			

B – At the beginning of 2018, Firm **Beta** acquired 60% of Firm **Ómega** for 160.000€. At acquisition date, Owners Equity of Firm **Ómega** was as follows (€):

Capital	200.000
Reserves	50.000
Transitory Results	-10.000

During the year, the two firms had the following operations between them:

- a) Firm **Ómega** sold services, in cash, to firm **Beta** at 2.000€;
- b) Firm **Ómega** sold inventories to firm **Beta** for 4.000€, of which 40% were still in debt.

Mark-up was 20% over selling price.

At 31/12/2018, Firm **Beta** Still had in stock 50% of Inventories bought.

Based on this information, write the necessary journal entries in order to produce Consolidated Financial Statements of Firm Beta.

(2,5 marks)

C – Firms A and B agreed on a merger by incorporation of Firm A on Firm B.

	Firm A	Firm B
Assets	120.000€	320.000€
Owners' Equity		
Capital	60.000€	150.000€
Reserves	30.000€	30.000€
Transitory Results	-20.000€	5.000€
Net Income	2.000€	15.000€
Total	72.000€	200.000€
Nominal Value per Share	1,25€	1,5€

Based on this information, determine the number of Shares to be issued by Firm B and the value of the increase in Capital related to this merger, as well as the amount of merger/ emission premium. *(1,25 marks)*