

LICENCIATURA EM GESTÃO, MAEG, FINANÇAS



**Financial Accounting II**

**Exercises I**

**Chapter I**

Some Relevant Financial Accounting Topics



### Exercise 1 - Revision of Financial Accounting

Select the most correct answer, presenting any calculations you may need.

1. The value of Owners Equity of a given firm may be defined as:

- a) = Assets - Depreciations - Impairments
- b) = Owners Equity - Liabilities
- c) = Paid-in Capital + Acquired Capital
- d) = Paid-in Capital + Reserves

2. Only one reflects the correct elements that belong to cash:

- a) Receivable orders from clients of € 300; Cheques with the value of € 200;
- b) Cheques with the value of € 200; Notes and Coins: € 400 + (GBP) £ 500 + (USD) \$ 200
- c) Notes and Coins: € 400 + (GBP) £ 500; Cash orders from the Directors de € 50
- d) Receivable orders from clients of € 200; Notes and Coins: € 400

3. The firm "Apito Prateado" acquired inventories with the value of 4.000 €. Immediately register that value in Cost of sales, even before the sales of those inventories. What is the accounting regime/characteristic that this firm did not respect?

- a) On going concern
- b) Accrual
- c) Relevance
- d) Comparability

4. During the process of bank reconciliation in December the firm detected the following errors:

- ✓ Register twice the payment of a client with the value of 2.000 €;
- ✓ Did not register the interest of bonds deposit in the bank with the value of 250 €, with a retention rate of 20%.

Knowing that the balance in the books of the firm for the account Banks was 4.900,00 € (debtor), what is the correct balance per bank statement?

- a) 3.100 € (creditor balance)
- b) 7.100 € (creditor balance)
- c) 7.100 € (debtor balance)
- d) 3.100 € (debtor balance)



5. When the firm registers the interests of a saving deposit with the value of 600 €, received at 31/3/N and referent to previous semester:
- a) The account "Banks" has a credit of 600 €
  - b) The account "Banks" has a debit of 300 €
  - c) The account "Accounts to receive from accruals" has a credit of 300 €
  - d) None of the answers.
6. The firm "ABC" S.A. bought, for credit, one vehicle with the value of 100.000 € in order to transport its VIP clients. The firm estimates a economic life of 10 years and a null residual value. Which answer is correct in the end of the period:
- a) One debt of 100.000 €
  - b) One debt of 100.000 € and one payment of 10.000 €
  - c) One debt of 100.000 € and one expense of 100.000 €
  - d) One debt of 100.000 € and one expense of 10.000 €
7. The firm "Apito Prateado" presented in cash 2.000 USD register at the exchange rate, at the date of acquisition, of: 1USD/EUR. In December, the firm sold 1.000 USD. At the date of the sale, the exchange rate was 0,80USD/EUR. The firm paid bank commissions of 11 €. What is the impact of this event in the value of the firm?
- a) The value of the firm decreases in 239 €
  - b) The value of the firm increases in 250 €
  - c) The value of the firm decreases in 250 €
  - d) The value of the firm increases in 239 €
8. In the Perpetual Inventory System it is correct to say:
- a) The account "Purchases" always present a balance during all year.
  - b) The cost of sales is calculate with: Initial Inventory+ Net Purchase - Final Inventory
  - c) It is not possible to calculate the Gross Profit after each sale
  - d) After a sales return, the firm need to register immediately the entrance of the inventory in the warehouse.
9. Which of the following events changes the value of the firm:
- a) Gain when selling foreign currency
  - b) Payment of a debt to a supplier
  - c) Acquisition for credit of computers
  - d) All the answers



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- 10.** Which of the following events does not change the value of the firm:
- a) Acquisition of inventories for cash
  - b) Sale of inventories at the price of cost
  - c) An employee paid a debt with the value of de 1.000€
  - d) All the answers
- 11.** When a firm buys a photocopy machine with the following terms:
- 50% for cash;
  - the rest will be paid in 90 days.
- a) Assets and Liabilities increase
  - b) Owners Equity decreases
  - c) Expenses increase
  - d) None of the answers
- 12.** In 2008 the firm "Academic",Lda. Bought, for cash, 10 sets of equipment (inventory) with a total value of € 30.000 (plus VAT at the rate of 20%). The firm received a commercial discount of 5%. Which of the following sentences is true, when the firm sells all this equipments?
- a) The cost of sales is 30.000 €
  - b) The cost of sales is 43.923 €
  - c) The cost of sales is 34.200 €
  - d) The cost of sales is 28.500 €



<b>Exercise 2 - Financial Statements</b>
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The following information is from the Trial Balance of *GFHJK, Lda.* at 31/12/2008.

Accounts (SNC)	Debit	Credit
Cash	12,250	12,140
Bank Deposits	45,000	43,300
Clients	28,600	27,200
Public Sector	2,300	2,370
Suppliers	30,650	42,500
Acquisitions	87,900	300
Stocks	8,000	
Stocks Regularizations		290
Fixed Tangible Assets		
Buildings	20,950	
Transport Equipment	10,650	
Administrative Equipment	2,500	
Financial Investments	2,300	
Accumulated Depreciations		8,380
Capital, Reserves e Trans. Results		19,000
External Services	1,800	
Staff Expenses	1,000	
Financial Expenses and Losses	340	
Others Expenses and Losses	120	
Sales	400	98,000
Other revenues gains		580
Interests, Dividends and similar gains		700
	254,760	254,760

**The firm needs to rectify some elements:**

1. The final stocks were evaluated in € 9.300;
2. The office supplies that were not consumed was of € 90;
3. The firm did not receive the invoice of the telephone company. The estimative of the expense is € 75;
4. The firm received and recorded the warehouse rent, referent of January 2009, in the amount of € 550;
5. It was paid and recorded the Insurance referent to the 1<sup>st</sup> semester of 2009 in the amount of € 350;
6. The depreciation are done at the rate of 2% for Buildings, 20% for Transport Equipment and 12,5% for Administrative Equipment.



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7. The firm must register impairment related to doubtful debts from clients. The debts are organized according to the fiscal criteria. Between 6 and 12 months the debts are € 250 and between 18 and 24 months, € 170.

### Request

- a) Record, at the Journal of the firm, the rectification elements
- b) Calculate the Net Income, considering a IRC rate of 25%.



**Exercise 3 - Statement of Cash Flow<sup>1</sup>**

The firm ABCD, Lda., presented these financial statements, with date of 31 of December.

Balance Sheet at 31st December

<b>Assets</b>	<i>Euros</i>	
	N	N+1
<b>Non current assets</b>		
Fixed Tangible Assets	1,900,000	2,000,000
Accumulated depreciation	-400,000	-630,000
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
Clients	570,000	587,000
Cash and Banks	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>		
Capital	1,200,000	1,700,000
Transitory Results	380,000	50,000
Net Income	100,000	142,000
<b>Total Owners Equity</b>	<b>1,680,000</b>	<b>1,892,000</b>
<b>Liabilities</b>		
<b>Currents Liabilities</b>		
Obtained Financial Loans	470,000	350,000
Suppliers	620,000	445,000
Public Sector	130,000	157,600
Accounts to pay by accruals	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>2,969,600</b>

Income Statement N+1

	<i>Euros</i>
Net Sales	6,000,000
Cost of sales	4,200,000
Staff Expenses	1,250,000
Depreciations	300,000
Revenues and Gains in non-financial investments	50,000
Interests and similar expenses	37,600
<b>Net Income before Taxes</b>	<b>262,400</b>
Income Tax	120,000
<b>Net Income</b>	<b>142,400</b>

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



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### Additional Information:

1. The firm does not deduct or liquidate VAT;
2. In N+1 it was paid the dividends , 30.000€;
3. The fixed tangible assets acquired in N+1, in the amount of 400.000€, were totally paid;
4. The firm borrowed a loan in N+1 , in the amount of 250.000€;
5. The balance of Public Sector is only about the Income Tax, for N and N+1;
6. The accounts to pay by accruals are about salaries to pay;
7. The accounts Revenues and gains in non-financial investments are referent to gains obtained in the sale of fixed tangible assets.

### **Request:**

**The Statement of Cash Flow, using the Direct Method.**





<b>Exercise 4 - Reductions and Increase in Capital</b>
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The firm "*Sempre a Crescer, SA*" will proceed to an increase in capital. In the imminence of good growth opportunities and the market value of its shares, it was decided at the Shareholders meeting ,at 5 April of 2009, an increase of capital of 5.000.000 € (nominal value).

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

Owners Equity	
Capital	2.500.000
Emission Premiums	1.000.000
Reserves	1.000.000
Transitory Results	500
<b>Total Owners Equity</b>	<b>5.000.000</b>

It is known that, in that date, the capital was represented by 500.000 shares, all dispersed in the stock market. The market value of all shares was 7.375.000 €.

The shares were issued to the public at the emission price of the average market value of the last 5 trading days, just before the operation. The market value of the last 5 days was:

19-05-2009	€ 13.30
20-05-2009	€ 13.05
21-05-2009	€ 13.00
22-05-2009	€ 12.85
23-05-2009	€ 12.80

The liberalization of the shares was done at the 1<sup>st</sup> of July 2009. At this date, the market value of the shares was € 13.5.

**Request:**

1. **Determine the number of new shares issued.**
2. **Determine the emission value of the new shares, explaining if there is a premium and its amount.**
3. **Register in the journal of the firm the increase of capital operation**
4. **Show the composition of Owners Equity after the increase in capital**
5. **Comment the position of the new shareholders before and after the increase in capital, distinguish 2 groups (old and new shareholders). Give an explanation for the values you found.**


**Exercise 5 - Reductions and Increase in Capital**

The firm "ABC, Lda" has the following values in Owners Equity:

(in u.m.):

	N	N+1
Capital	4.800	?
Legal Reserves	800	800
Transitory Results	(3.930)	?
Revaluations excess reserves	1.220	1.220
Net income of the period	(3.880)	5.600
<b>Total</b>	<b>(990)</b>	<b>?</b>

The shareholders decided to increase the capital of the firm. To do so, they decided to give 1.000 u.m. each one. Additionally, they propose to a supplier (F1) to become a new shareholder. F1 accepted the proposal.

Other information:

1. At 31/12/N the shares were equally divided by the 3 shareholders.
2. After the increase in capital, F1 has a share of 20% of the capital.
3. The debts to F1 were, in 31/12/N, 8.320 u.m.
4. After the distribution of the results obtained in N+1, it was found that the legal reserves is 20% of the capital. Hence, it was created a free reserve of 520 u.m., and the rest of the net income was used to cover accumulated losses.

**Request**

- a) The Journal records, justifying the values.
- b) The Journal records, corresponding to the results application of N+1.
- c) Show the new Owners Equity composition and the amount of debt to F1, after a) and b).



<b>Exercise 6 - The reductions and increases of Capital</b>
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The firm *Acumular, Lda* follows a management policy of not paying dividends to the partners. The management team believes that this ensures a financial leverage for the firm in order to be able to capture new growth opportunities.

The partner M. Descontente does not agree with the manager's philosophy and want to leave the firm.

Because none of the others partners want to acquire M. Descontente part of capital, they decided to reduce the capital, during the General Meeting of 21/03/2009. The payment of done at a 31/03/2009.

The composition of Owners equity in 21/03/2009 was the following:

Owners Equity			
Capital			
M. Feliz	25,000		
M. Sortudo	45,000		
M. Sorridente	100,000		
M. Descontente	30,000	<b>200,000</b>	
Reserves		250,000	
Transitory Results		400,000	
<b>Total of Owners Equity</b>			<b>850,000</b>

**Request:**

1. Calculate the nominal value and the book value of the part of capital
2. Write in the journal of the firm the reduction of capital event.
3. Show the new composition of owner's equity, after the reduction of capital.



### Exercise 7 - Reductions and Increase in Capital

At the 1<sup>st</sup> of June 2009, the firm "SESPER,SA" decided to increase its capital in the following conditions:

- Emission of 2.000.000 shares;
- EV = 7,5 €/per share

The nominal value of the shares is 5 €.

The shares were issued in July with obligation of payment of 50% of the subscribed shares.

At the 5<sup>th</sup> of August, the firm received the subscription payments. It was verified that it were subscribed 2.500.000 shares. Hence, it was necessary to proceed with a ration of the shares to cancel the excess of shares issued.

At the 15<sup>th</sup> of August it was returned to the subscribers the amount corresponding to the excess of subscribed shares.

At the 20<sup>th</sup> of August the subscribers paid the rest.

**Request:**

**1. Register in the journal of the firm this operation.**


**Exercise 8 - Capital Operations and Own Shares**

The Balance Sheet of *VOAR, SA*, at 31/12/2008, presented the following elements in Owners Equity :

	Euros
51 Capital (50 000 shares)	250 000
52 Own Shares	
521 Nominal Value	(25 000)
522 Premiums or discounts	(12 500)
551 Legal Reserve	50 000
552 Other Reserves	20 000
56 Transitory Results	10 000

**Request:**

1. The journal record entries for the repurchase of 1.000 shares of the firm, at the unit price of 12 €, done at 05/01/2009, showing the adjustments made.
2. Explain the transaction.
3. Show the new composition of Owners Equity after the acquisition.
4. The journal record of the sales of 50% of the shares own by the firm, at a unit sales price of € 10, at 15/2/2009. The firm adopts FIFO.
5. Show the new composition of Owners Equity after the sale.



<b>Exercise 9 - Capital Operations and Own Shares</b>
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The composition of Owners Equity of "Estrelas, SA", at 31/12/2008 was the following:

	Euros
Capital	1.000.000
Legal Reserves	200.000
Free Reserves	350.000
Transitory Results	(75.000)
Net Income	60.000
<b><i>Total of Owners Equity</i></b>	<b>1.535.000</b>

Additional Information:

- The nominal value of each share is 5 €;
- In January 2009, the firm acquired 7% of its capital by 105.000 ;
- It was decided at the general Meeting to transfer net income to transitory results;
- In August 2009, after an extraordinary General Meeting, the firm acquired more 3% of its capital, paying by each share 10 €;
- In November 2009, the firm sold 18.000 owns shares for 8,5 € each.

**Request:**

1. The record, in the Journal of the firm, the operations done in 2009, knowing that the firm used the weighted average cost as the measure base.
2. The composition of Owners Equity in 31/12/2009, knowing that the firm obtained a positive result of 15.000 €.



**Exercise 10 - Capital Operations and Own Shares**

The firm Azares, SA, in the end of 2007 repurchased 5.000 own shares. During 2008 repurchased a new bath o own shared. The composition of Owners Equity was the following:

<b>Owners Equity of Azares</b>	01-01-2008	31-12-2008
Capital	500,000	500,000
Own Shares - Nominal Value	-5,000	-9,000
Own Shares - Discounts and Premiuns	1,000	-2,000
Legal Reserve	50,000	57,700
Free Reserve	70,000	75,300
Transitory Result	14,000	0
Net Income	0	9,000
<b>Total of Owners Equity</b>	<b>630,000</b>	<b>631,000</b>

At 1/02/2009 the firm sold part of its own shares, obtained the information in the next table :

<b>Account 52 Own Shares</b>	Debit	Credit
Own Shares - Nominal Value		2,000
Own Shares - Discounts and Premiuns	2,400	2,000

**Request:**

1. Calculate the number of shares repurchase in 2008 and its acquisition value.
2. Knowing that the firm uses FIFO, you are asked to:
  - a. Calculate the number of shares that were sold
  - b. Calculate the sale value of the sold shares
  - c. Calculate the gain/loss obtained in that operation
3. Write in the journal of the firm the events of the repurchase of own shares (in 2008) and the sale of own shares (in 2009).
4. Calculate the balance of the account Legal Reserves, after the sale.
5. Show the owners equity table composition after the sale.



### Exercise 11 - Subsidies

The firm *Dificuldades Financeiras, Lda.* received, from the State, 20.000 Euros at 15 July of 2009. According to the Ministry, the conditions underlying the subsidy are:

- 12.500 Euros to finance 25% of the investment in Basic Equipment, which estimated useful life is 15 years, and with a residual value of 1.000 Euros. The depreciation method is the SLM;
- 5.000 Euros to direct finance of the firm's activities;
- The rest for staff training.

You are requested to record in the Journal:

1. The value received.
2. The acquisition of the equipment in 28/08/2009 (VAT 20%).
3. The depreciation and other regularizations you think may be needed referent to 31/12/2009.





<b>Exercise 12 - Leasing</b>
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*PraFrentex, Lda.* Had from a Lessor firm the following proposal at 15/02/2009:

- Acquisition of Basic Equipment from *PraFrentex* in the amount of 22.500 Euros (the accumulated amortization was 2.500 Euros, and the acquisition value of the equipment was € 25.000);
- Renting for a period of 8 years, with acquisition purchase option in the end for € 1.000 Euros.
- The expected useful life of the equipment is of more 9 years.
- VAT: 20%. Both firms are obliged to liquidate and deduct VAT.
- Semester Lease payments, with rents at the nominal rate of 16% as following

NºPr	Begining Date	Finish Date	Interests	Amort	Payments
1	01-03-2009	30-08-2009	897.53	947.60	1,845.13
2	30-08-2009	01-03-2010	864.46	980.67	1,845.13
3	01-03-2010	30-08-2010	820.61	1,024.52	1,845.13

**Request:**

1. Identify the type of Leasing of this operation and explain the necessary conditions for its realization.
2. Explain the advantages for *PraFrentex, Lda.* and to the Lessor.
3. Register in the journal of the firm, for year 2009 and for *PraFrentex*, knowing that the contract was signed at 01/03/2009.
4. Register in the journal of the firm , the final moment of the contract knowing that the firm exercised the acquisition purchase option by its residual value.



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<b>Exercise 13 -Leasing</b>
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*Apoio, SA* signed a operation leasing contract for a transport equipment with *Novidade, Lda.*

The characteristics of the contract are:

- Value of the equipment: 20.000€
- Year of acquisition: 2007
- Amortization rate: 12,5%
- Date of the signature of contract: 1/10/2008
- Pre-paid annual rents of 3.000€ (plus VAT of 20%)

Register in the journal of the firm *Apoio, SA* and *Novidade, Lda* the operation described during 2008 and 2009.



**Exercise 14 - Capital Operations - Exam Exercise**

The composition of Owners Equity from "Mais Uma Vez, SA" was as follows:

<b>Owners Equity of "Mais Uma Vez, SA"</b>	<b>31/12/2008</b>
Capital	500.000
Emission Premium	100.000
Own Shares -Nominal Value	(20.000)
Own Shares - Discounts and Premiums	5.000
Revaluations excess reserves	50.000
Legal Reserve	50.000
Free Reserve	70.000
Transitory Results	24.000
Net Income of the Period	21.000
<b>Total of Owners Equity</b>	<b>800.000</b>

About this firm, it is known also this information:

- a) The number of issued shares of the firm is 100.000, 50% of those were issued by its nominal value at the date of the creation of the firm in 2004 and the rest in one increase of capital in 2006.
- b) Own shares at 31/12/2008 were acquired in 2 distinct operations:
  - a. At 5/1/2008 were acquired 25% of these shares at the unit price of 6 €;
  - b. At 12/12/2008 were acquired the remaining shares.
- c) The Legal reserves is exclusively formed by legal income reserves and own shares legal reserve.
- d) In July 2009 the firm increased its capital in the amount of 200.000 € (nominal value). This operation was done as following:
  - a. 20% by incorporation of Revaluations excess reserves ;
  - b. 30% by transformation of a creditor (this creditor it's a estate agent);
  - c. The rest was from entrance in money from new shareholders. The emission value of the new shares was 12 € (the nominal value remains the same).
- e) In December 2009 the firm sold 50% of its own shares at the sale value of 3,5 €. The firm adopts the weighted average cost method.
- f) The application of the Net Income of 2008, decided at the General Meeting of March 2009, was as follows: 5% for Legal Reserves, 25% for free Reserves and the rest for Transitory results.



**Request:**

**1. Fill in the spaces:**

1.	Unit Nominal Value of the shares of "Mais Uma Vez, SA"	
2.	Unit Book value of the outstanding shares at_ 31/12/2008	
3.	Unit Emission Value of the shares issued in 2006	

4.	Nº of own shares at 31/12/2008	
5.	Unit acquisition value of the own shares acquired at 12/12/2008	
6.	Balance of the Account "Legal Reserves" at 31/12/2008	

**2. Register in the journal of "Mais Uma Vez, SA" of the operations occurred in 2009.**