

LICENCIATURA EM GESTÃO, MAEG,
FINANÇAS



FINANCIAL ACCOUNTING II

EXERCISES

CHAPTER II

IAS



PART I – INTRODUCTORY CONCEPTS

PARTE I.A. Select the most correct:

1. The objective of financial statements set out in IAS 1 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, financial performance and cash flows;
- b) the financial position and cash flows;
- c) the financial performance and cash flows;
- d) the composition and value of the assets.

2. In preparing the financial statements are two underlying assumptions:

- a) the accrual basis and cash basis;
- b) the cash and continuity;
- c) the continuity of the substance over form;
- d) the accrual basis and continuity.

3. Which of the following is correct:

- a) the balance permits to quantify the payments and receipts;
- b) a statement of cash flows permits to quantify the costs and revenues;
- c) the income statement explains the achievement of the result, grouping costs and losses and income by category;
- d) a statement of changes in equity explains the changes in operating subsidiaries.

4. The valuation of the elements of financial statements, adopt the following measurement bases

- a) historical cost, realizable value (settlement) and the present value (current);
- b) historical cost, current cost, realizable value (settlement) and the present value (current);
- c) current cost, realizable value (settlement) and fair value;
- d) current cost and present value.

5. Mr. Felismino, accountant by profession, is converting the accounts of the firm, where he is the TOC, for the new standard, but has some doubts about whether the following sets of items are assets:

- a) Know-how of its employees, tax losses deductible shares of a company in bankruptcy proceedings, expenses in cash;
- b) Intellectual property rights, advances to suppliers, shares of a company in bankruptcy proceedings, expenses in cash;
- c) Know-how of its employees, tax losses deductible, intellectual property rights, advances to suppliers;
- d) Tax losses deductible, intellectual property rights, advances to suppliers, shares of a company in bankruptcy proceedings.



6. Mr. Felismino, also has some doubts about what are the financial statements required by international rules:

- a) Balance Sheet, Income Statement by Nature, Income Statement by Functions, Statement of Cash Flows and Notes to the Balance and Statement of Results;
- b) Balance Sheet, Income Statement by Nature, Income Statement by Functions, Statement of Changes in Equity, Statement of Cash Flows, Notes to the Balance and Income Statement and Notes to the Cash Flow;
- c) Balance, an income statement (by nature or functions); Statement of Changes in Equity, Statement of Cash Flows and Notes;
- d) Balance, an income statement (by nature or functions), Statement of Changes in Equity, Statement of Cash Flows, Notes to the Balance and Income Statement and Notes to the cash flow.

7. The recognition of a liability depends on the verification of the following:

- a) it is probable that an outflow of resources embodying economic benefits resulting from the settlement of the obligation;
- b) it is probable that an outflow of resources embodying economic benefits resulting from the settlement of the liability and the amount of settlement can be measured reliably;
- c) the amount of settlement can be measured reliably;
- d) the amount of the obligation

8. According to the International Accounting Standards, understandability, relevance, materiality and reliability are:

- a) Accounting principles;
- b) Assumptions underlying the preparation of financial statements;
- c) the financial statements;
- d) Qualitative characteristics of financial statements.

9. According to the International Accounting Standards, which of the following statements is correct?

- a) The Statement of Cash Flows permits to quantify the revenue and expenditure;
- b) The accrual and continuity are qualitative characteristics of financial statements;
- c) IAS 2 - Inventories allows the inclusion of administrative costs and the valuation of commercial production;
- d) IAS 1 - Presentation of Financial Statements, provides the basis for presentation of financial statements, but does not present any model of financial statements required.

10. The rules issued by the IASB are applicable on a mandatory basis in Portugal:

- a) immediately;
- b) a decision by the European Commission;
- c) after a period of 90 days;
- d) after a period of 6 months.



PART I.B. Answer the following questions:

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

- i. Direct Materials
- ii. Shareholders payables
- iii. Shares purchased
- iv. Own Shares purchased
- v. Bonds issued
- vi. Patents
- vii. Tangible fixed assets under operating lease
- viii. Advances from customers
- ix. Reversal of provision
- x. Fines
- xi. Brand Licensing acquired
- xii. Revenues from services
- xiii. Interest on bonds purchased
- xiv. Losses resulting from a fire
- xv. Capital gains on sale of tangible fixed assets
- xvi. Favorable exchange rate differences

2. Classify the following elements in current assets, non-current assets, current liabilities and non-current liabilities:

- i. Inventories
- ii. Office equipment
- iii. Clients
- iv. Shares purchased for the purpose of selling in the short term
- v. Investment in subsidiary
- vi. Intangible
- vii. Bank deposits
- viii. Current accounts
- ix. Investments in real estate
- x. Suppliers
- xi. Suppliers of fixed assets
- xii. Borrowings of medium and long term
- xiii. Non-current assets held for sale

**Part II – Inventories****PARTE II.A. select the most correct one:**

1. At the end of N, BUY & SELL, SA had in stock 3,000 units of goods whose value acquisition unit was 6 €. It is estimated that the sale of such goods would enable the company to raise € 21,000, free of charge. Knowing that the end of N-1 the goods had been subject to an adjustment in the amount of € 3500, which the company must recognize in its accounts?

- a) Reinforce of the adjustment in the amount of € 3000;
- b) A reversal of the adjustment in the amount of € 500;
- c) A reversal of the adjustment in the amount of € 3500;
- d) Reinforce of the adjustment in the amount of € 6500.

2. The company " Frames, SA", listed company, 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, it is still need to spend € 7 per unit produced. The current selling price of these frames is 10 €, and the selling costs are estimated at € 2 per unit. What the company should recognize in its accounts?

- a) An increase in the value of their inventories in the amount of € 6000;
- b) An adjustment to the value of their inventories in the amount of € 1000;
- c) adjustment to the value of their inventories in the amount of € 3000;
- d) You shall not make any record.

PARTE II.B. Answer the following questions:

1. The company "is-THIS, SA is studying the application of international accounting standards. This company trades in a specific product that undergoes large oscillations in terms of market price.

The information gathered about the product are as follows:

- Cost of acquiring N-2 = 2,000 € (5 € per unit)
- Transport costs = € 200 purchase
- Net realizable value to 31/12/N-2 = 6 € per unit
- Cost of acquiring N-1 = 550 € (5.5 € per unit)
- Transport costs in the acquisition = 50 €
- Net realizable value at 31/12/N-1 = € 4.5 per unit
- Sale of N of 300 units for 7 €
- Net realizable value to 31/12/N = 5.65 € per unit
- VAT 20%

Request: to write in the journal the relevant facts relating to the product traded by the company, according to international accounting standards, assuming the valuation method FIFO and an alternative scenario the WAC.



2. In the firm "GRANDE BALDA" it were identified the following situations that have not been counted. It is known that the balance has the following values:

	Debit	Credit
Inventories	315.000	
Adjustments for inventories depreciations		11.212

- i. Were made purchases on credit of € 2,500 million of inventory (VAT at the standard rate). With the acquisition, the company incurred costs of transport in the amount of € 100m, and storage costs in the amount of € 90m. The company was also granted a merchant discount, which amounted to 5% of the purchase;
- ii. It is estimated that in 31.12.N, the sales value of inventories (including those acquired in the previous paragraph) is € 320.000m and the costs of the sale of € 10,000.

Request: make the records that it considers relevant.

3. A certain company dedicates to import and export of aeronautical equipment. It had in storage in 31/12/N-1, 80 altimeters (with a unit acquisition value of € 3000), recorded on its balance sheet the net amount of 220,000 €, which representing the net realizable value on that date.

In N, the company achieved the following:

- i. Acquisition of 100 altimeters by the unit value of € 3100. With the purchase the company incurred costs of transport in the amount of € 2000, having been granted a discount for prompt payment of 3% of the purchase price.
- ii. Sales, for credit of 150 components for € 4020 each. The company adopts the WAC (Weighted Average Cost) as a criterion for handling the outputs

On 31/12/N it was estimated that the sales value of inventories would be € 154,000 and the costs of the sale of the € 1,500.

The rate of VAT on transactions is 20%

Record in the journal the events that occurred in N.



PART III – Fixed Tangible Assets and Intangible Assets

PARTE III.A. Select the most correct one:

2. Firm "Produz, S.A.", listed in the stock market, owns several similar equipments. In N-1 the (fair value) and its use value was 370.000€. In that date it was done all necessary regularizations. In N, it had a net value of 310.000€, and its market value (fair value) was 325.000€ while its value in use was 300.000€. This firm adopts the cost model for these equipments. What should the firm do in N?
- Revaluation of equipments in 15.000€;
 - Impairment loss of 10.000€;
 - None of before.

PART III.B. Answer the following questions:

3. Firm "É-DESTA, SA" wishes to apply the IAS for period N.

Firm Investments were the following at 31/12/N:

(In Euros)

Asset	Acquisition value	Accumulated Depreciations	Fair Value – Cost of selling	Value in use
Intangible assets				
Development expenses	10.000	5.000	7.000	12.000
Fixed 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

* This item was subject to revaluation in de N-3 in 25% of its original value

Request:

- Calculate the book value of each asset;
- Calculate the recoverable amount of each asset;
- Identify the assets that need impairments and calculate the value of the impairment;
- Register in the journal of the firm the regularizations.



4. XPTO, S.A. is a firm listed in the stock market and its assets had the following composition on the 31/12/N,:

(in thousand euros)

Assets	Acq. value	Accumul Deprec. b)	Revaluation excess	Fair Value – Cost of selling	Value in use	Fair Value	Accumul. Impairments
Intangible assets							
Development expenses	6.000	2.000		4.300	4.500		
Fixed tangible assets							
Lands ^{a)}	90.000		5.000	80.000	72.000		
Buildings ^{a)}	220.000	73.500	4.000	200.000	140.000	200.000	
Transport equipment	80.000	13.000		70.000	60.000		
Administrative equipment	50.400	10.500		37.000	35.000		
Others	9.900	3.300		6.000	6.700		500

^{a)}These items were subject to revaluation in N-1.

^{b)} The values already include the depreciations of N.

All assets, excluding buildings, are measured using the cost model.

Request:

Register in the journal of the firm the regularisations.

5. A 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:

- i. Research stage
 - a. Materials and services – 1.250 m€
 - b. Sub contraction of services – 700 m€
- ii. Development stage
 - a. Materials and services – 1.000 m€
 - b. Staff expenses – 7.000 m€

It is also known that the recoverable amount of the intangible asset is 5.200 m€. This firm defined as useful life for its intangible assets 3 years.

Request: the journal records



PART IV – PROVISIONS

6. GB-SPORTs are equipments commercialized by Grande Balda. They are sold with a warrant that covers repairs during the first year after the sale of the product. If there are small repairs to do, the firm needs usually incurs in repair costs of 500 m€ for all defected products. More serious repairs cost 1.500 m€. Past experience showed that the probability that no product has defects is 85%, 10% will have minor repairs and 5% will have more serious repairs.

What should the firm do? Register in the journal of the firm.



PART V – Other Exercises

7. After the audits to *Dá-Bolsa, S.A.* accounts, it was detected the following situations:

- i. There is still 3.000€ of office materials that were not used yet but registered as used;
- ii. There was detected an industrial machine which net book value is 350.000€, and has been rarely used. Its value in use is 300.000€ and its market value is 280.000€;
- iii. There us 1.000 units of products in course with a book value of 4.000€ . Its sales value is 6€ per unit. The costs to sell the product are 500€ and to finish the production are 3.000€;

Register in the journal of the firm the regularization of the described facts.