

LISBOA SCHOOL OF ECONOMICS & MANAGEMENT

Degrees in
ECONOMICS AND MANAGEMENT



ACCOUNTING 1

Cases – Part 2
2017/2018

Case 22

Company Alfa has in the warehouse the following quantity and value of product M at January, 2nd of year X:

Quantity: 172 Tons

Unit price: €160

During January the following transactions related to product M occurred:

- 1) Purchase of 120 tons of product M at the unit price of €156. Payment due in 60 days;
- 2) Sale of 170 tons of product M at the unit sale price of €220, prompt payment;
- 3) A client returned 10 tons of product M;
- 4) Purchase of 210 tons of product M at the unit price of €158, prompt payment. The company obtained a commercial discount of 5%;
- 5) Payment to a supplier, in advance, of €5,000;
- 6) Sale of 50 tons of product M at the unit sale price of €300, on account.

Assuming that the company adopts FIFO as inventory costing method, you are requested to:

- a) Record the transactions, considering that the company uses the perpetual inventory system;
- b) Record the transactions, considering that the company uses the periodic inventory system;
- c) Calculate the amount of Net Purchases, Net Sales and the Gross Profit.

Case 23

At the end of year X, company Beta had the following information on its trial balance:

	Debit balance	Credit balance
Purchases of Inventories	114,750	-
Inventories	27,000	-
Cost of Goods Sold	-	-
Sales	-	448,350

After the physical count at the end of the year the value in inventories was €8,775.

Requested:

- a) Identify the inventory system adopted by the company. Justify your choice;
- b) Enter the necessary recordings in the journal of the company in order to reflect the cost of goods sold and the value of inventories at the balance sheet date;
- c) Calculate the Gross Profit.

Case 24

At the end of year X, the Trial Balance of OMEGA presented the following information:

	Debit balance	Credit balance
Purchases of Inventories	152,250	152,250
Inventories	37,500	-
Cost of Goods Sold	387,000	-
Sales	-	538,350

Requested:

- a) Identify the inventory system adopted by the company. Justify your choice;
- b) Calculate the value of inventories in the warehouse at the beginning of year X;
- c) Calculate the Gross Profit.

Case 25

In January, company BETA, that adopts the perpetual inventory system, had the following purchases and sales for product P1:

Day	Purchases		Sales	
	Quantity	Unit Price	Quantity	Unit Price
Initial Inventory	50	11		
02	100	10		
05	200	8,5		
15			50	18
20	100	5,5		
30			150	18

Requested:

- a) Record the transactions using FIFO (First in, First Out) and WAC (Weighted Average Cost) criteria;
- b) Calculate the Gross Profit, using the WAC after each sale;
- c) Calculate the amount of sales that enables the company to achieve the same Gross Profit whether it uses FIFO or WAC.
- d) Indicate the circumstances in which net income is always the same, regardless of the method used for inventory costing (FIFO, WAC or specific identification):

a	When sale prices in the second semester are below the ones practiced in the same period of the previous year.
b	When the ending inventory is null, indicating that all of the inventories available for sale were sold.
c	When the ending inventory is negative, indicating that the quantity of inventories sold was greater than the quantity of inventories available for sale.
d	When advances for inventory purchases are transferred in the same year of payment by debiting suppliers.

Case 26

Indicate the correct answer:

1. Which of the following is **NOT** part of the cost of inventories?

a	Cost of goods purchased for subsequent sale;
b	Transport cost of goods purchased for subsequent sale;
c	Quality check of goods purchased for subsequent sale;
d	Insurance of the van used for delivering goods to customers.

2. Company MacBERA, SA, bought goods to sell on account. The total purchase amount was €15,000 and therefore the company benefited from a commercial discount of 1%. Which of the following represents the recording of this transaction?

	Assets		Liabilities	Equity	Revenues	Expenses	Net Income
	Inventories	Fixed Tangible Assets	Suppliers		Other revenues and gains	Others expenses and losses	
a	(15,000)	-	(15,000)	n/a	n/a	n/a	n/a
b	15,000	-	14,850	150	150	-	150
c	-	15,000	15,000	n/a	n/a	n/a	n/a
d	14,850	-	14,850	n/a	n/a	n/a	n/a

3. Company SortOne, Lda made a sale for €69,000, prompt payment. The cost of goods sold was €70,000. Which of the following reflects the correct recording of this transaction?

	Assets		Liabilities	Equity	Revenues	Expenses	Net Income	Cash Flow
	Cash/Banks	Inventories			Sales	COGS		
a	69,000	(70,000)		(1,000)	1,000	n/a	1,000	n/a
b	(69,000)	70,000		1,000	(1,000)	n/a	(70,000)	n/a
c	69,000	(70,000)		(1,000)	69,000	70,000	(1,000)	n/a
d	69,000	(70,000)		(1,000)	69,000	70,000	(1,000)	+ 69,000 OA

4. Which of the following is **FALSE**?

a	Inventories should be measured by the highest of i) cost, or ii) net realizable value;
b	The costs of purchase of inventories comprise the purchase price, import duties and other taxes (other than those subsequently recoverable by the entity from the taxing authorities), and transport, handling and other costs directly attributable to the acquisition of finished goods, materials and services. Trade discounts, rebates and other similar items are deducted in determining the costs of purchase.
c	According to the Portuguese accounting system (SNC), inventories are presented in the Balance Sheet by its net value;
d	Any reversals of impairments of inventories will have a positive impact on EBITDA.

Case 27

Company Gama has a business unit dedicated to importing and selling IT equipment. The company uses the periodic inventory system.

November's trial balance contains the following information:

Inventories	12,500€
Purchase of Inventories	12,500€
Purchase of Inventories Returns	1,400€
Purchase of Inventories Discounts	500€
Sales	42,500€

In December, the following transactions occurred:

Day 4 – Sale of 50 computers at the unit price of €1,250, prompt payment.

Day 8 – Purchase of 30 keyboards from supplier “Teclas, Lda” for €60 each, on account. The transport costs were borne and paid up by company Gama in the amount of €50.

Day 15 – Sale of 5 keyboards to client “Sem esforço, Lda” for €75 each, on account.

Day 16 – Return to supplier of 2 defective keyboards bought on December, 8th.

Day 20 – Christmas offer to our clients of 20 boxes of disks. The unit price was 2.75 Euros.

Day 22 – There was a fire in the warehouse of the company resulting in the destruction of inventories valued at €400.

Day 28 – Receipt of €425 in compensation from the insurance company regarding the fire that occurred on December, 22nd.

Day 30 – Receipt of a check, regarding the sale that occurred on December, 15th, for payment in full of the amount outstanding.

Requested:

- a) Record in the Journal December's transactions.
- b) Calculate and record the Gross Profit considering that, after taking the physical inventory at the end of the period, inventories were valued at €3,250.

Case 28

Company ALFA uses the perpetual inventory system.

At December, 31st, X, the following information on inventories is available (in Euros):

	Quant.	Cost Price per unit	Total value	Net Realizable Value per unit
Merchandise A	130	10.0	1,300	15.0
Merchandise B	80	15.0	1,200	22.5
Merchandise C	100	25.0	2,500	20.0
Finished goods and work in progress G	100	10.0	1,000	15.0
Accumulated Impairment losses			150	

At December, 31st, X+1, the information on inventories was as follows (in Euros):

	Quant.	Cost Price per unit	Total value	Net Realizable Value per unit
Merchandise A	100	10.0	1,000	9.2
Merchandise B	80	15.0	1,200	25.0
Merchandise C	50	25.0	1,250	24.0
Finished goods and work in progress G	100	10.0	1,000	20.0
Accumulated Impairment losses			???	

Requested:

- a) Record the variation in accumulated impairment losses at 12/31/X;
- b) Record the variation in accumulated impairment losses at 12/31/X+1;
- c) Indicate the net value of inventories to be displayed on the Balance Sheet on 12/31/X+1.

Case 29

Question 1: Inventories in the warehouse are recorded for €100,000. Its recoverable amount is €103,000. The account – Inventories - accumulated impairment losses - shows a credit balance of €4,000.

Requested: make the necessary adjustments according to the information given.

Question 2: Inventories in the warehouse are recorded for €100,000. Its recoverable amount is €95,000. The account - Inventories- accumulated impairment losses - shows a credit balance of €5,500.

Requested: make the necessary adjustments according to the information given.

Case 30

Company ALFA markets products A, B, C, D and E. The information available on December, 31st of year X is as follows (in Euros):

Product	Quantity	Purchase cost (per unit)	Expected sale price (per unit)	Expected sale cost (per unit)
A	40	200	280	32
B	80	240	270	50
C	100	160	190	30
D	65	270	350	30
E	90	88	72	8

1. The account – Inventories - accumulated impairment losses - shows a credit balance of €4,000.
Make the necessary adjustments according to the information given.
2. Indicate the net value of inventories to be displayed on the Balance Sheet on 12/31/X.

Case 31

Alfa has in the warehouse the following quantities and amounts of product M as of January, 2nd of year X:

Quantity: 172 Tons

Unit price: €160

In the course of January, the following transactions related to product M occurred:

- 1) Purchase of 120 tons of product M at the unit price of €156 (+VAT 23%). Payment due in 60 days;
- 2) Sale of 170 tons of product M at the unit sale price of €220 (+VAT 23%), prompt payment;
- 3) A customer returned 10 tons of product M;
- 4) Purchase of 210 tons of product M at the unit price of €158, prompt payment. The company obtained a commercial discount of 5% (+VAT 23%);
- 5) Payment to a supplier, in advance, of €5,000 (this amount includes VAT at 23% rate);
- 6) Sale of 50 tons of product M at the unit sale price of €300 (+VAT 23%), on account.

Assuming that the company adopts WAC (Weighted Average Cost) as inventory costing method, you are requested to:

- a) Record the transactions, considering that the company uses the perpetual inventory system;
- b) Calculate the VAT of the period.

Case 32

Company Gama has a business unit for importing and selling IT equipment. This equipment is subject to VAT at the rate of 23%.

Considering that the company uses the periodic inventory system, journalize December's transactions and calculate VAT.

Day 4 – Sale of 50 computers at the unit price of €1,250, prompt payment.

Day 8 – Purchase of 30 keyboards to supplier “Teclas, Lda” for €60 each, on account. Transport costs were borne and paid up by Gama.

Day 15 – Sale of 5 keyboards to client “Sem esforço, Lda” for €75 each, on account.

Day 16 – Return to supplier of 2 defective keyboards bought on December, 8th.

Day 20 – Christmas offer to our clients of 20 CD packs. The unit price was €2.75.

Day 30 – Receipt of a check, regarding the sale that occurred on December, 15th, for payment in full of the amount outstanding.

Case 33

At the end of year X, information on VAT amounts was as follows:

	Debit balance	Credit balance
VAT deductible	150,000	-
VAT liquidated	-	250,000
VAT regularizations	-	15,000

Requested: Record the VAT calculation.

Case 34

Indicate the correct answer and justify your choice:

1. In September, company Gama received an invoice in the amount of €1,210 concerning goods to be incorporated in the production process. The invoice includes VAT at a 23% rate. Which account within “State and Other Public Entities” (SOPE) should be used to record this event?

a	Credit the Tax Income account;
b	Credit the VAT account;
c	Debit the VAT account;
d	Debit the Other Taxes account.

2. Considering the previous transaction, and the accounting equation, which of the following is true?

a	Assets will increase (two accounts debited) and Liabilities will also increase (one account credited);
b	Assets will increase (one account debited) and Liabilities will also increase (one account credited);
c	Assets will increase (one account debited) and Liabilities will also increase (two accounts credited);
d	Assets will increase (two accounts debited) and Liabilities will also increase (two accounts credited).

3. Regarding the previous transaction which account should be used?

a	VAT - liquidated;
b	VAT – regularizations in favor of the company;
c	VAT – regularizations in favor of the State;
d	VAT - deductible.

4. Gama returned to its supplier materials in the amount of €300 (subject to VAT at a 23% rate) for poor quality. In this transaction, which account should Gama use?

a	VAT - liquidated;
b	VAT – regularizations in favor of the company;
c	VAT – regularizations in favor of the State;
d	VAT - deductible.

5. Company “Novidades Caseiras, Lda” sold finished goods in the amount of €1,250, subject to VAT at a 23% rate. 1/3 of the amount was paid immediately through bank transfer. The remainder will be paid in 3 months. Which of the following corresponds to recording of the transaction?

a	Account	Debit	Credit
	Demand Bank Deposits – Bank X	1,537.50	
	Sales’ Revenue – Finished Goods		1,250.00
	SOPE – VAT liquidated		287.50

b	Account	Debit	Credit
	Demand Bank Deposits – Bank X	512.50	
	Trade Accounts Receivable	1,025.00	
	Sales’ Revenue – Finished Goods		1,025.00
	SOPE – VAT liquidated		512,50

c	Account	Debit	Credit
	Demand Bank Deposits – Bank X	1,250.00	
	SOPE – VAT deductible	287.50	
	Sales’ Revenue – Finished Goods		1,537.50

d	Account	Debit	Credit
	Demand Bank Deposits – Bank X	512.50	
	Trade Accounts Receivable	1,025.00	
	Sales’ Revenue – Finished Goods		1,250.00
	SOPE – VAT liquidated		287.50

6. Which of the following is **TRUE**?

a	VAT in acquisitions is always an expense;
b	VAT in acquisitions is an expense just in some cases;
c	VAT in acquisitions is never an expense;
d	None of the above.

7. Regarding cash-advances received from clients, which of the following accounts should be credited?

a	VAT - liquidated;
b	VAT – regularizations in favor of the company;
c	VAT – regularizations in favor of the State;
d	VAT - deductible.

8. If a company pays a cash-advance to a supplier which of the following accounts should it debit?

a	VAT - liquidated;
b	VAT – regularizations in favor of the company;
c	VAT – regularizations in favor of the State;
d	VAT - deductible.

9. Consider the following information (in Euros):

VAT - deductible	1,400	
VAT - liquidated		3,000

Which of the following is **TRUE**?

a	The company paid €3,000 and received €1,400 regarding VAT;
b	The company will receive from the State €1,600 regarding VAT;
c	The company will pay to the State €1,600 regarding VAT;
d	The company will pay to the State €3,000 regarding VAT.

10. Consider the following information (in Euros):

Account	Debit Balance	Credit Balance
VAT - deductible	1,500	
VAT - liquidated		2,000
VAT - regularizations		300
VAT – requested reimbursements	1,000	

Which of the following sentence regarding VAT calculation is **TRUE**?

a	The company will have to pay €800 in VAT, and it will debit the account “VAT-to be paid” and credit the account “VAT-calculation”;
b	The company will have to pay €800 in VAT, and it will credit the account “VAT-to be paid” and debit the account “VAT-calculation”;
c	There is no payment to be made, since the balances are in favor of the company;
d	The company will recover €300 in VAT.

Case 35

Company Alfa sells household appliances. Consider the information below regarding merchandize X. The company sold 150 units of merchandize and adopts WAC as inventory costing method.

Date	Description	Entry			Exit			Inventory warehouse		
		Q	Pu	Amount	Q	Pu	Amount	Q	Pu	Amount
Jan	Beginning Inventory	100	200	20,000				100	200	20,000
								100		20,000
Feb	Purchase	350	202	70,700				100	200	20,000
								350	202	70,700
								450		90,700

1. The cost of goods sold is:

a)	€30,100;
b)	€30,233;
c)	€30,300;
d)	None of the above.

2. After recording the sale, the value of inventories in the warehouse is:

a)	€60,600;
b)	€90,700;
c)	€60,467;
d)	None of the above.

3. Considering that the company uses the perpetual inventory system, after recording February's purchases and sales:

a)	The cost of goods sold account has a debit balance;
b)	The purchases account has a debit balance;
c)	The purchases account has a credit balance;
d)	The inventories account will show the value of inventories at the beginning of the period.

4. Suppose that, in February, the company only entered into the above mentioned transactions (purchase and sale), and that those transactions are subject to VAT at a 23% rate (consider that the sale price was €220):

a)	There is VAT to be paid. The VAT – to be paid account is credited and the VAT – calculation account is debited by €8,671;
b)	There is VAT to be paid. The VAT – to be paid account is credited and the VAT – calculation account is debited by €16,261;
c)	There is VAT to recover. The VAT – to recover account is debited and the VAT – calculation account is credited by €8,671;
d)	There is VAT to recover. The VAT – to recover account is debited and the VAT – calculation account is credited by €16,261.

Case 36

Company Gama's Trial Balance at 12/31/X contained the following information (in Euros):

Accounts	Balance			
	Debit	Credit	Debit	Credit
Trade Accounts Receivable	785,200	560,000	225,200	
Accumulated impairment losses	9,000	18,000		9,000

Additional information:

- The company expects to receive from its clients only €220,000.
- A client has filed a law suit against the firm claiming losses due to delays in the delivery of the products. The client claims a compensation of €50,000. The company's lawyers estimate a 60% probability of losing the legal proceedings.

Requested:

- a) Journalize the necessary adjustments.
- b) Identify the impact of those adjustments on Net Assets, Liabilities and Net Income.

Case 37

Consider the following information regarding company X, on 12/31/N and 12/31/N-1 (in Euros):

	N	N-1
21.1 Trade Accounts Receivable	8,600	8,200
21.9 Accumulated impairment losses	400	500
32.1 Inventories – merchandize X	23,000	18,000
32.9 Accumulated impairment losses	4,000	3,000

Indicate the correct answer, and **justify**:

1. Consider the company only sells one type of inventory (merchandize X). In the Balance Sheet on 12/31/N the company should present the merchandize as:

a)	Current assets in the amount of €19,000;
b)	Current assets in the amount of €23,000;
c)	Non-current assets in the amount of €23,000;
d)	Current assets in the amount of €5,000;
e)	Current assets in the amount of €23,000 and net income (an expense) of €4,000.

2. On 12/31/N, the company estimates to receive from its customers:

a)	€8,600;
b)	€8,200;
c)	€400;
d)	€8,500;
e)	None of the above.

3. In the Income Statement on 12/31/N, the company should present:

a)	A revenue regarding the impairment loss in trade accounts receivable of €100 and an expense regarding the impairment loss in inventories of €2,000;
b)	An expense regarding the impairment loss in trade accounts receivable of €400 and an expense regarding the impairment loss in inventories of €4,000;
c)	A revenue with the reversal of the impairment loss in trade accounts receivable of €100 and an expense regarding the impairment loss in inventories of €1,000;
d)	A revenue with the reversal of the impairment loss in trade accounts receivable of €100 and an expense regarding the impairment loss in inventories of €4,000;
e)	None of the above.

4. Identify the correct answer:

a)	On 12/31/N, the net realizable value of inventories is €23,000;
b)	Whenever there is an impairment loss in inventories, inventories are measured at the cost of purchase;
c)	The company adopts the perpetual inventory system;
d)	On 12/31/N, in the Balance Sheet, trade accounts receivable are €8,200;
e)	None of the above.

5. The recognition of impairment losses:

a)	Assists the relevance principle;
b)	Allows firms to manage their earnings more effectively;
c)	Aims to introduce some prudence in the preparation of financial statements;
d)	Is only necessary when companies are going through financial difficulties;
e)	Is only applicable to inventories and trade accounts receivable.

Case 38

Company ALFA, SA processed the salaries of November of year X, on November 28th, according to the following information:

	(Euros)
1 – Salaries (gross):	
- Board of Directors	6,200
- Personnel	50,000
2 – Deductions:	
- Social Security	
- Personnel's share	11.00%
- Company's share	23.75%
- Insurance for occupational (work) accidents	1.70%
- Personal Income Tax (IRS) – average withholding tax	20.00%

3 – Salaries are paid through bank transfer on the 30th.

4 – Social Security is paid on the 15th and Retained Personal Income Tax ("IRS") on the 20th of the following month, in both cases.

Requested:

- a) Journalize the processing of salaries;
- b) Journalize the payment of salaries and the payment of withheld payroll taxes ("IRS" and Social Security).

Case 39

Alfa has not recorded the following transactions:

1. Interests from a loan obtained in the following terms:
 - Beginning date: October, 1st, of year X
 - Amount: €100,000
 - Period: 4 years
 - Payment – annual payment of capital and interests
 - Interests payable at October, 1st, of year X+1: €6,000
2. Payment, in December, of car insurance premiums: €3,750. The premiums paid concern the period of December, 1st of year X to November, 30th of year X+1.
3. The firm holds bonds that will pay €600 of semi-annual interests, on 31/01/X+1.
4. Payment of the office rent concerning the month of January of year x+1: €1,500.
5. In the beginning of the year, the company recorded in the account “Advertising” the total amount of an expense with an advertising campaign of €10,000. The company predicts that the campaign will impact revenues within two consecutive years.
6. The firm estimates telecommunication expenses in December to be €7,500.

Requested:

Record the mentioned transactions in relation to year X.

Case 40

Consider the following events that occurred in N regarding company Beta:

1. Purchase of basic equipment for €53,812.50 on account (includes VAT at a 23% rate).
2. Purchase of land for €25,000, prompt payment. The company also paid €2,500 in local tax on this transaction - IMT (“Imposto Municipal sobre Transmissões Onerosas de Imóveis”).
3. In 2009, the company initiated the construction of its future facilities. During year N, the work related with this construction was the following:
 - Work performed by the company’s personnel and consumption of materials in the warehouse: €80,000.
 - Payment of several invoices related with the purchase of goods and services to be incorporated in the building under construction: €50,000 (subject to VAT at a 23% rate).

The construction of the building was concluded in November of year N. The initial balance of the account “Investments in progress” was €100,000.

4. Sale of a vehicle for €6,000 prompt payment (subject to VAT at 23% rate). The vehicle was purchased in N-3 for €14,000 and the depreciation was calculated by the straight line method and using a rate of 25%.
5. Transfer of inventories, purchased in the previous year for €30,000, to Fixed Tangible Assets (basic equipment). At the end of N-1 the company had recognized an impairment loss since the market value of these inventories was €27,500.
6. The company signed a purchase and sale agreement for the purchase of a warehouse for €60,000, making a down payment of 50% of that amount.
7. Purchase of a license to produce trademark items (“Futebolix”) for two years: €25,000 (subject to VAT at a 23% rate).

Requested:

- a) Record the previous events;
- b) Record the depreciation of the basic equipment mentioned in 1., considering a useful life of 8 years and a residual value of €2,500;
- c) The amount of net assets on the balance sheet on December 31st, 2010.

Case 41

Consider the following information (in Euros):

	Net Fixed Tangible Assets X+1	Net Fixed Tangible Assets X
<i>Fixed Tangible Assets:</i>		
Land	28,295	28,295
Basic Equipment	23,445	18,250
Transport equipment	11,600	10,000
Other fixed tangible assets	8,250	4,900
Total	71,590	61,445

Additional information:

- In X+1 the company sold for €3,000 a basic equipment with a gain of €500; and
- The amount of depreciation expenses, in X+1, was €6,250.

Calculate the company's investment in fixed tangible assets in x+1.

Case 42

Consider company ALFA's values regarding Fixed Tangible Assets at January, 1st of year X (in Euros):

43 Fixed Tangible Assets	600,000
43.2 Buildings and Other Constructions	500,000
43.3 Basic Equipment	200,000
43.5 Administrative Equipment	150,000
43.8 Accumulated Depreciation	250,000

Considering that in year X:

- The company purchased basic equipment on account for €30,000 (subject to VAT 23%);
- The company sold administrative equipment, immediate receipt, for €25,000 (subject to VAT 23%), and obtained a loss of €2,500. The depreciation of the administrative equipment was 60%;
- During X, the company depreciated Fixed Tangible Assets in the total amount of €15,000.

Record the previous transactions in relation to year X.

Case 43

Consider the following information extracted from company Gama's accounting records at December 1st, X (in Euros):

Description	Balance
Cash	1,550
Bank deposits	25,250
Financial Instruments	61,250

Additionally, at the same date, the company held the following financial instruments:

Financial Instrument	Number (units)	Purchase price (per unit)	Market price (per unit) Dec. 31, X
Shares - Beláguas, S.A.	1,500	€15	€12
Shares - Vejas, S.A.	750	€25	€26
Bonds - RAR, S.A.	1,000	€20	€18

In December, company Gama carried out the following transactions:

5th – Purchase of 1,000 additional shares of Beláguas, S.A. (unit price: €14).

10th – Sale of 500 bonds of RAR, S.A. Gama received by bank transfer the net amount of €9,000 (the sale was subject to a sales fee of 0.54%).

15th – Purchase of 1,000 shares of company “Sumos, SA” (unit price: €23). The company had to pay several fees in a total amount of €124. The market price of these shares at December 31st, X was €22 per unit.

20th – Receipt of semi-annual interests on the bonds held by Gama, regarding the 2nd semester: €1,100.

26th – Acquisition of company “Embala, S.A.” (supplier of beverage bottles) for €175,550.

Requested:

Record the transactions that occurred in December.

Case 44

Company Alfa, Lda was established in December 2nd, X with a capital of €25,000, subscribed as follows:

J. Costa	€12,500
A. Silva	€7,500
M. Lopes	€5,000

Additional information:

- In order to pay for his share of capital (“quota”) Mr. J. Costa handed over to the company a vehicle and merchandise, worth €9,000 and €5,000, respectively.
- Mr. A. Silva handed over the following items (in Euros):

Cash	2,000
Inventories (merchandise)	4,000
Accounts receivable	4,500
Accounts payable	3,000
- Mr. M. Lopes paid up 50% of his share of capital (“quota”) in cash. The remainder will be paid in three months.

Requested:

- a) Record the opening entries in the company’s journal.
- b) Present the Balance Sheet at December 2nd, X.

Case 45

Company ASA, S.A.'s Balance Sheet at December 31st, N, presented the following composition of equity (in Euros):

Capital (50 000 shares)	250,000
Own shares	
Nominal value	(25,000)
Discounts and Premiums	(12,500)
Legal Reserve	50,000
Retained Earnings	(25,000)
Net Income	50,000

On March 20th, N+1, the Annual Shareholders' Meeting decided to:

1. Approve year N's annual report and financial statements.
2. Approve the following earnings' application:

Coverage of accumulated losses;
Legal Reserve: 10%;
Dividends: 20%;
Other Reserves: remaining.

Requested:

- a) Record the facts resulting from the decisions made in Annual Shareholders' Meeting.
- b) Identify the effects on the patrimony of the company from the Annual Shareholders' Meeting deliberation.

Case 46

Company Gama had the following Verifying Trial Balance at December 31st, X (next page).

The following adjustments to the Verifying Trial Balance were identified by the accounting department:

- a. Ending inventory was valued at €27.500;
- b. January X+1's rent, in the amount of €325, was recorded and paid for in December, X;
- c. The insurance premium regarding the period from November 1st X to October 31st, X+1, in the amount of €480, was recorded and paid for in X;
- d. The company rented part of its administrative equipment for the period of one year. The contract, initiated in August, 1st, X, and the company received the full amount of the contract, of €480, on that date;
- e. The company considered a customer's debt, in the amount of €400, as uncollectible;
- f. The company received €850 in interests from a savings account;
- g. The company's depreciation rates are the following:

Transport Equipment (€13,000) 20%
Administrative Equipment (€7,750)..... 10%

Note: The accumulated depreciations in the verifying trial balance refer to the administrative equipment.

- h. Income tax rate is 25%.

Requested:

Record the necessary end of the year accounting operations for Company Gama.

(in Euros)

Accounts	Accumulated amounts		Balance	
	Debit	Credit	Debit	Credit
Fixed Tangible Assets (FTA)*	20,750		20,750	
FTA – Accumulated Depreciation		4,500		4,500
Inventories	26,000		26,000	
Trade Accounts Receivable	367,900	359,000	8,900	
Banks – Savings Account	7,500		7,500	
Banks – Checking Account	468,750	460,750	8,000	
Cash	482,000	475,500	6,500	
Capital		16,000		16,000
Trade Accounts Payable	380,000	407,750		27,750
Obtained Loans		19,500		19,500
State and Other Public Entities	41,000	44,750		3,750
Purchases of inventories	338,750		338,750	
External Supplies and Services Expenses	34,750		34,750	
Staff Expenses	30,250		30,250	
Financing Expenses and Losses	6,250		6,250	
Sales' Revenue		413,500		413,500
Interests, dividends and similar revenues		4,400		4,400
Other Expenses and Losses	18,000		18,000	
Other Revenues and Gains		16,250		16,250
	2,221,900	2,221,900	505,650	505,650

* Without accumulated depreciation

Case 47

Company “Alfa” sells clothing. Its accountant presented the Trial Balance for December 31st, X. However, before closing the year, the following situations were identified:

OP 1 – At the end of year X, the company sold a transport vehicle for €5,000 (+VAT 23%), immediate payment. This vehicle was purchased for €24,000 and the total amount of accumulated depreciation was €18,000.

OP 2 – The company purchased some sweaters for €120,000 (+VAT 23%), on account. In relation to this transaction an advanced payment to the supplier had been made, in the amount of €14,760 (VAT 23% included), recorded in July. The company uses the perpetual inventory system.

OP 3 – January X+1’s warehouse rent was paid in December: €5,000, not yet recorded.

OP 4 – Inventories in the warehouse are recorded for €100,000 and have a recoverable value of €95,000. The inventories accumulated impairments’ account shows a credit balance of €5,500 (record the necessary adjustments in face of this new information).

OP 5 – The company obtained a 5 year loan: €150,000, not yet recorded.

OP 6– The company paid wages and salaries: €120,000, not yet recorded.

Requested: Record the transactions or make adjustments to previous recordings according to the information given above.

Case 48

Company BETA sells office equipment. Its accountant presented the Trial Balance for December 31st, N. However, before closing the year, the following situations were identified:

OP 1– In May N, the company sold transport equipment (+VAT 23%), on account. The equipment was purchased in May N-3 for €18,000 and the estimated useful life was 5 years. This sale resulted in a loss of €1,500.

OP 2– The company sold chairs for €150,000 (+VAT 23%), immediate payment. A financial discount of 5% was given. The company uses the periodic inventory system.

OP 3 – At the beginning of October, the company paid yearly interests on a bank loan: €36,000, not yet recorded.

OP 4 – Inventories in the warehouse are recorded for €100,000 and have a recoverable value of €103,000. The inventories accumulated impairments' account shows a credit balance of €4,000 (record the necessary adjustments in face of this new information).

OP 5– The company paid to an equipment supplier €150,000, not yet recorded. The purchase was previously recorded in June.

OP 6– The company paid for several small equipment repairs performed during the period: €12,000, not yet recorded.

Requested: Record the transactions or make adjustments to previous recordings according to the information given above.

Case 49

In 12/31/N, company ALFA's Trial Balance is as follows:

Account	Debit Balance	Credit Balance
Cash	100	
Demand Bank Deposits	1,200	
Term Bank Deposits	600	
Customers	1,880	
Suppliers		6,200
Obtained Loans (*)		25,000
SOPE	40	250
Other accounts receivable (**)	700	
Other accounts payable (**)		500
Inventories	3,000	
Fixed Tangible Assets	31,680	
Intangible Assets	2,000	
Investments in Progress	1,000	
Capital		10,000
Legal Reserves		500
Retained Earnings	2,500	
Cost of Goods Sold	22,500	
External Services and Supplies Expenses	6,900	
Staff Expenses	8,600	
Depreciation Expenses	4,200	
Other Expenses	750	
Sales		40,000
Other Revenues		5,200
Total	87,650	87,650

(*) 5-year term obtained loan.

(**) Short-term.

1. Considering a corporate tax rate ("IRC") of 25%, calculate the Earnings before Tax and the Net Income of year N.
2. Prepare the company's Balance Sheet on 12/31/N.

Case 50

Consider the following information regarding company ZETA, on 12/31/N and 2/31/N-1 (in Euros):

	N	N-1
21 Trade Accounts Receivable	8,600	8,200
22 Trade Accounts Payable	10,000	11,000
32 Inventories	23,000	18,000
61 Cost of Goods Sold	80,000	66,000
71 Sales	150,000	128,000

Identify the correct answer and **justify**:

1. Considering that the amount in Trade Accounts Receivable pertains only to the sale of inventories, in the Cash Flow Statement of year N, the amount of:

a)	Operating Activities is €141,400;
b)	Operating Activities is €149,600;
c)	Operating Activities is €13,400;
d)	Investment Activities is €141,400;
e)	Investment Activities is €150,000.

2. The amount of year N's Net Purchases is:

a)	€80,000;
b)	€85,000;
c)	€14,000;
d)	€75,000;
e)	€22,000.

3. Considering that the amount in Trade Accounts Payable pertains only to the purchase of inventories, in the Cash Flow Statement of year N, the amount of:

a)	Operating Activities is €84,000;
b)	Operating Activities is €86,000;
c)	Operating Activities is €81,000;
d)	Investing Activities is €79,000;
e)	Investing Activities is €1,000.

4. In year N, the company presents:

a.	A Net Income of €70,000;
b.	A Gross Profit of €70,000;
c.	A Net Income de €8,000;
d.	A Gross Profit of €62,000;
e.	A Net Income of €62,000.

5. On 11/1/N the company sets up a term deposit with Banco BCP in the amount of €1,000, with a 3-month term. Considering that the deposit pays interests in arrears (at the end of the interest counting period) at a semi-annual interest rate of 3%, the recording on 12/31/N is:

a. To debit "Debtors for Accruals of Revenues" and credit "Interests, Dividends and Other Similar Revenues" by €10;
b. To debit "Debtors for Accruals of Revenues" and credit "Interests, Dividends and Other Similar Revenues" by €20;
c. To debit "Pre-Received Revenues" and credit "Interests, Dividends and Other Similar Revenues" by €10;
d. To debit "Demand Bank Deposits" and credit "Interests, Dividends and Other Similar Revenues" by €30;
e. None of the above.