PRACTICES TOPIC 3: FINANCIAL STATEMENTS

Exercise 1:

A specific company has started activity on the 1st of January of the present year. To this date (31st of March), it has the following goods that were acquired on 31st of December of the previous year:

- Factory building	1.000 m.u.	Duration 25 years
- Office building	1.500 m.u.	Duration 50 years
- Machinery	300 m.u.	Duration 10 years
- Transport equipment	100 m.u.	Duration 5 years

Note: m.u. = monetary unit

Information corresponding to the 1st quarter is as follows,

- Personnel salaries of the quarter, 450 m.u. of which 75 m.u. are pending to be paid after 31/3,
- Materials purchases and used in production, 700 m.u. of which 125 m.u. are pending to be paid after 31/3,
- Energy consumption is estimated in 230 m.u. with nothing being paid till date.
- Sales invoiced to customers have amounted 1.930 m.u. of which 315 m.u. had not been collected till 31/3. The remaining were collected in due time. In manufacturing all sold units, the entire purchased materials have been consumed.

Do not take into consideration possible existence of Corporation taxes

a) The Company General Manager would like to know at 31/3, the income, expenses, collections/cash inflows, payments/cash outflows, investments and depreciation/amortization of the quarter (assume linear depreciation of the goods along their lifetime).

b) To what extent will the previous response change, if only half of the purchased materials had been consumed in the manufacturing of the sold units?

Exercise 2:

The JUGA S.A. Firm is started with a shareholders contribution of 60.000 Euros. Of those 30.000 are paid in and deposited in a Bank account and the remaining are corresponding to the transfer of a patent for a value of 30.000 Euros. With the cash of the Bank account, raw materials have been purchased for a total amount of 10.500 Euros and machinery for 15.000 Euros. Please detail the balance sheet at the operations start.

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Exercise 3:
Prepare the BALANCE SHEET of Libby´s Company using the following figures (in euros):

Short-term (current) loan debts	15.500		Accounts payable	1.500
Long-term loan debts	3.000		Equipment	13.000
Money on its bank account	3.000		Raw materials (purchased this year but not used yet)	12.500
Cash	500			
Paid-in capital	12.000		Furniture	1.500
Accounts receivable	3.500		Retained earnings from the year	2.000

Exercise 4:
Prepare the Income Statement for Hawkins Partners using the following figures and knowing that corporate tax applicable rate is 30%,. (figures in euros):

1. Initial inventory	600		6.Interests from the long-term debt	5.500
2. Purchase of goods (sold 100%)	84.000		7. Wages and salaries	12.700
3. Rental costs	1.000		8. Water, gas and electricity	1.200
4. Property sold to another company (income)	10.500		9. Sales	130.800
5. Interests received by the company	15.200		10. Inventory at the end of the period	500

Exercise 5:
Prepare the Income Statement of a company with the following information from year 2017:

- Gross sales, during the year, reached an amount of 2.002 million €. The company´s trade policy gives a discount of 3% to its Type A customers. Type A customers are those whose annual purchases from the company exceed 120 million €.
- Type A customers account for 40% of sales.
- Assume Total sales = Gross sales - Discount
- The purchases of raw materials amounted to 962 million €.
- The workforce consists of 7.800 employees. The average salary is 30.000 € per year, and average spending on Social Security payments is 30% of salary.
- Payment for other operating expenses amounted to 457 million €.
- In recent years, the company has invested a total of 1.200 million € in fixed assets whose average lifespan is 10 years (linear depreciation and no residual value).
- As regards current liabilities of the company, the company obtained an international loan of 225 million € in the year 2015. The interest for this loan is 6% along the whole year. The main repayment of loan will be made in 2020 (this is, the 100% of the principal will be paid in 2020).
- The corporate tax rate applied is 30%.
- The company has agreed to a dividend of 50%.
- Assume no change in stocks of raw materials or finished products during the above period.

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Exercise 6:

We have the following information from the company X, for the year 2017:

The company X was incorporated on 1st of January, 2017 with a subscription of shares worth of worth 100 m.u. fully paid in cash. (m.u.= monetary units)

Purchased (with cash), on 1/1/2017: a) an area for 20 m.u. b) equipment with a life of 10 years (Straight-line depreciation) and purchase price of 20 m.u. c) raw materials for 20 m.u.

The company hires an employee for a total annual cost (salaries, Social Security, etc.) of 10 m.u. per year. This employee processes half of the raw material and sells it for a total of 50 m.u. Sales are the same every day of the year. The average collection period is 3 months.

The single tax rate that is applicable on the profits of the company is 30% (paid on December 31st, 2017)

The company follows a strict self-financing strategy.

1. Prepare the Balance Sheet as on 31/12/2017, justifying and explaining, where appropriate, intermediate calculations.

2. Indicate and explain how the accounting statements would change if instead of 100%, the shareholders had paid only 90% of the 100 m.u. subscribed.