

# Entreprise Management and Entrepreneurship

## M.EIC

### Financial Accounting Exercises

#### Exercise 1

Suppose that you collect the following information regarding the company OCTANS, LDA.

#### Movements

(in euros)

|   |         | Assets  | Liabilities |         |
|---|---------|---------|-------------|---------|
| Debt from a customer  | 55.000  | X       |             |         |
| Small car   | 15.000  | X       |             |         |
| Sales of goods  | 120.000 |         |             | Revenue |
| Computer software   | 5.000   | X       |             |         |
| Debt to a supplier  | 30.000  |         | X           |         |
| Cost of goods sold  | 85.000  |         |             | Expense |
| Factory building  | 65.000  | X       |             |         |
| Coins and notes   | 300     | X       |             |         |
| 3 year bank loan  | 100.000 |         | X           |         |
| Stock of raw materials  | 18.000  | X       |             |         |
| Electricity bill  | 150     |         |             | Expense |
| Bill of a heavy duty van that was rented from "Car Rentm Lda" | 20.000  |         |             | Expense |
| Stock of finished goods                                       | 8.000   | X       |             |         |
| Portfolio of customer orders                                  | 28.000  |         |             | -       |
| Bank deposits   | 7.000   | X       |             |         |
| Taxes and social security debt                                | 6.000   |         | x           |         |
| Furniture and administrative equipment                        | 12.700  | x       |             |         |
| TOTAL   |         | 186.000 | 136.000     |         |

1) Classify the movements presented, distinguishing those that represent a change in the company patrimony (that go to the balance sheet) from those that go to the income statement. Regarding the changes in patrimony, classify them as Assets or Liabilities.

2) What is the value of the Assets, Liabilities and Equity of this company?

$$\text{Equity} = 186.000 - 136.000 = 50.000\text{€}$$

3) Prepare the balance sheet of this company after the presented movements.

| ASSETS                          |                | EQUITY AND LIABILITIES              |                |
|---------------------------------|----------------|-------------------------------------|----------------|
| <b>Non-current Assets</b>       |                |                                     |                |
| Tangible Assets                 |                | <b>EQUITY</b>                       |                |
| Factory building                | 65 000         | Owners' Investement                 |                |
| Small car                       | 15 000         | Retained Earnings                   |                |
| Furniture and administr. build. | 12 700         | Net Income                          |                |
|                                 |                | <b>Total Equity</b>                 | 50 000         |
|                                 |                |                                     |                |
|                                 |                | <b>Liabilities</b>                  |                |
|                                 |                | Non-current Liabilities             |                |
|                                 |                |                                     |                |
| Intangible Assets               |                | Long-term debt                      | 100 000        |
| Computer software               | 5 000          |                                     | 100 000        |
| <b>Total Non-current Assets</b> | 97 700         |                                     |                |
|                                 |                | Current Liabilities                 |                |
| <b>Current Assets</b>           |                | Accounts payable                    | 30 000         |
| Inventories                     | 26 000         | Income taxes payable                | 6 000          |
| Accounts receivable             | 55 000         |                                     | 36 000         |
| Bank deposits                   | 7 000          |                                     |                |
| Cash                            | 300            | <b>Total Liabilities</b>            | 136 000        |
| <b>Total Current Assets</b>     | 88 300         |                                     |                |
|                                 |                |                                     |                |
| <b>Total Assets</b>             | <b>186 000</b> | <b>Total Equity and Liabilities</b> | <b>186 000</b> |

## Exercício 2

a) Identify the positive and the negative componentes of the income:

### Transactions

|  | Value  |   |
|--|--------|---|
| 1. Staff wages                                     | 10.000 | - |
| 2. Electricity bill                                | 1.500  | - |
| 3. Sales to customers                              | 50.000 | + |
| 4. Cost of goods sold                              | 32.500 | - |
| 5. Cash discounts granted                          | 300    | - |
| 6. Company headquartes rent                        | 500    | - |
| 7. Interests received from bank deposits           | 80     | + |
| 8. Journals and magazines bought                   | 50     | - |
| 9. Interests paid to the bank from credit obtained | 200    | - |
| 10. Depreciation and amortization                  | 300    | - |

b) Prepare the income statement of this company, using the template below:

| <b>Revenue and expenses</b>  | <b>Period<br/>31-12-N</b> |                |
|--|---------------------------|----------------|
| Sales  | +                         | 50.000         |
| Cost of goods sold   | -                         | -32.500        |
| Suppliers and external services  | -                         | -2.050         |
| Employee expenses  | -                         | -10.000        |
| Other income   | +                         | 80             |
| Other expenses   | -                         | -300           |
| <b>EBITDA – Earnings before Interest, Taxes,<br/>Depreciation and Amortization</b> | =                         | <b>5.230</b>   |
| Depreciation and Amortization  | -/+                       | -300           |
| <b>Operating Income (EBIT – Earnings before<br/>Interests and Taxes)</b>           |                           | <b>4.930</b>   |
| Interests and financial revenues   |                           |                |
| Interests and financial expenses   | -                         | -200           |
| <b>Earnings before taxes</b>   | =                         | <b>4.730</b>   |
| Taxes (17%)  | -/+                       | 804,1          |
| <b>Net Income</b>  | =                         | <b>3.925,9</b> |