

Enterprise Management and Entrepreneurship MIEIC 2021-2022



Universidade do Porto

Faculdade de Engenharia

FEUP

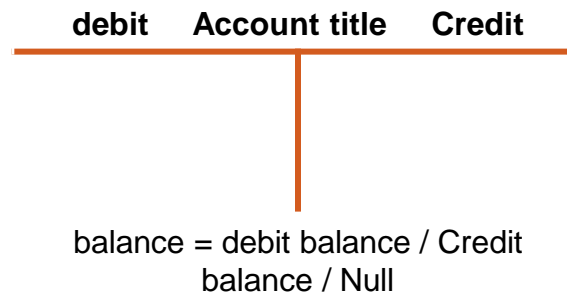
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Financial Management

Lecture 2

Account (I)

- **Account**: set of financial items expressed in units of value.
- Main features :
 - **Homogeneity** : must contain only the elements that conform to the common characteristic that defines it ;
 - **Completeness** : must include all elements who enjoy the common feature set for her
- Graphical representation :



Account (IV)

- **Account movements:**
 - **Principle of double entry** : the record of the patrimony facts in their accounts, should guarantee that the value of:

$$\Sigma \text{ debit movements} = \Sigma \text{ credit movements}$$

Contas no SNC

1	MEIOS FINANCEIROS LÍQUIDOS	2	CONTAS A RECEBER E A PAGAR
11	Caixa	21	Clientes
12	Depósitos à ordem	22	Fornecedores
13	Outros depósitos bancários	23	Pessoal
14	Outros instrumentos financeiros	24	Estado e outros entes públicos
		25	Financiamentos obtidos
		26	Accionistas/sócios
		27	Outras contas a receber e a pagar
		28	Diferimentos
		29	Provisões

Contas no SNC (I)

3 INVENTÁRIOS E ACTIVOS BIOLÓGICOS		4 INVESTIMENTOS	
31	Compras	41	Investimentos financeiros
32	Mercadorias	42	Propriedades de investimento
33	Matérias-primas, subsidiárias e de consumo	43	Activos fixos tangíveis
34	Produtos acabados e intermédios	44	Activos intangíveis
35	Subprodutos, desperdícios, resíduos e refugos	45	Investimentos em curso
36	Produtos e trabalhos em curso	46	Activos não correntes detidos para venda
37	Activos biológicos		
38	Reclassificação e regularização de inventários e activos biológicos		
39	Adiantamentos por conta de compras		

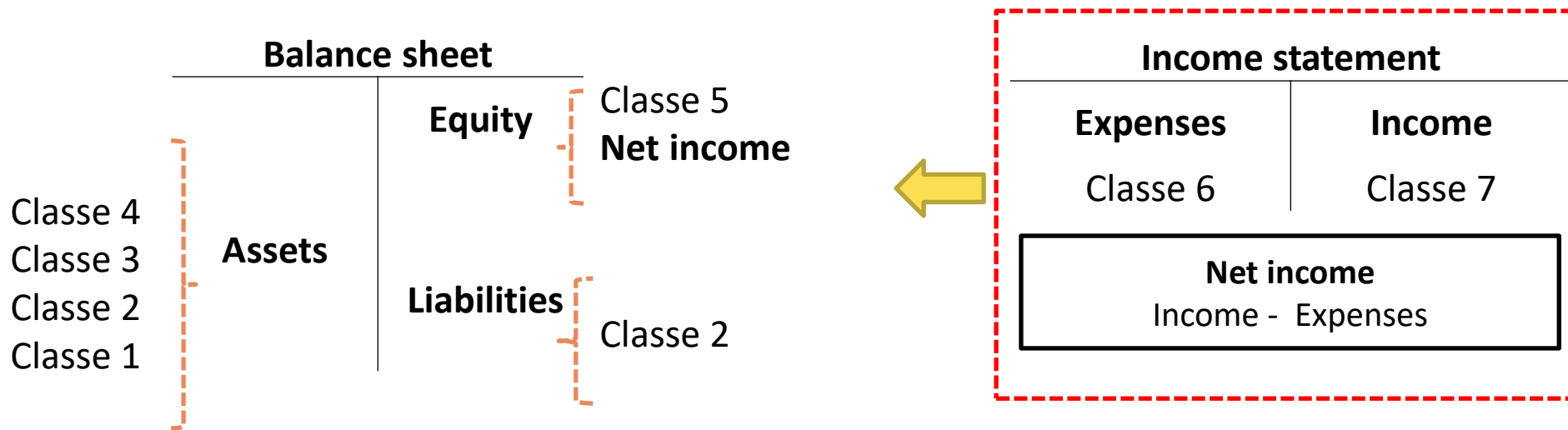
Contas no SNC (II)

5 CAPITAL, RESERVAS E RESULTADOS TRANSITADOS	6 GASTOS
51 Capital	61 Custo das mercadorias vendidas e das matérias consumidas
52 Acções (quotas) próprias	62 Fornecimentos e serviços externos
53 Outros instrumentos de capital próprio	63 Gastos com o pessoal
54 Prémios de emissão	64 Gastos de depreciação e de amortização
55 Reservas	65 Perdas por imparidade
56 Resultados transitados	66 Perdas por reduções de justo valor
57 Ajustamentos em activos financeiros	67 Provisões do período
58 Excedentes de revalorização de activos fixos tangíveis e intangíveis	68 Outros gastos e perdas
59 Outras variações no capital próprio	69 Gastos e perdas de financiamento

Contas no SNC (III)

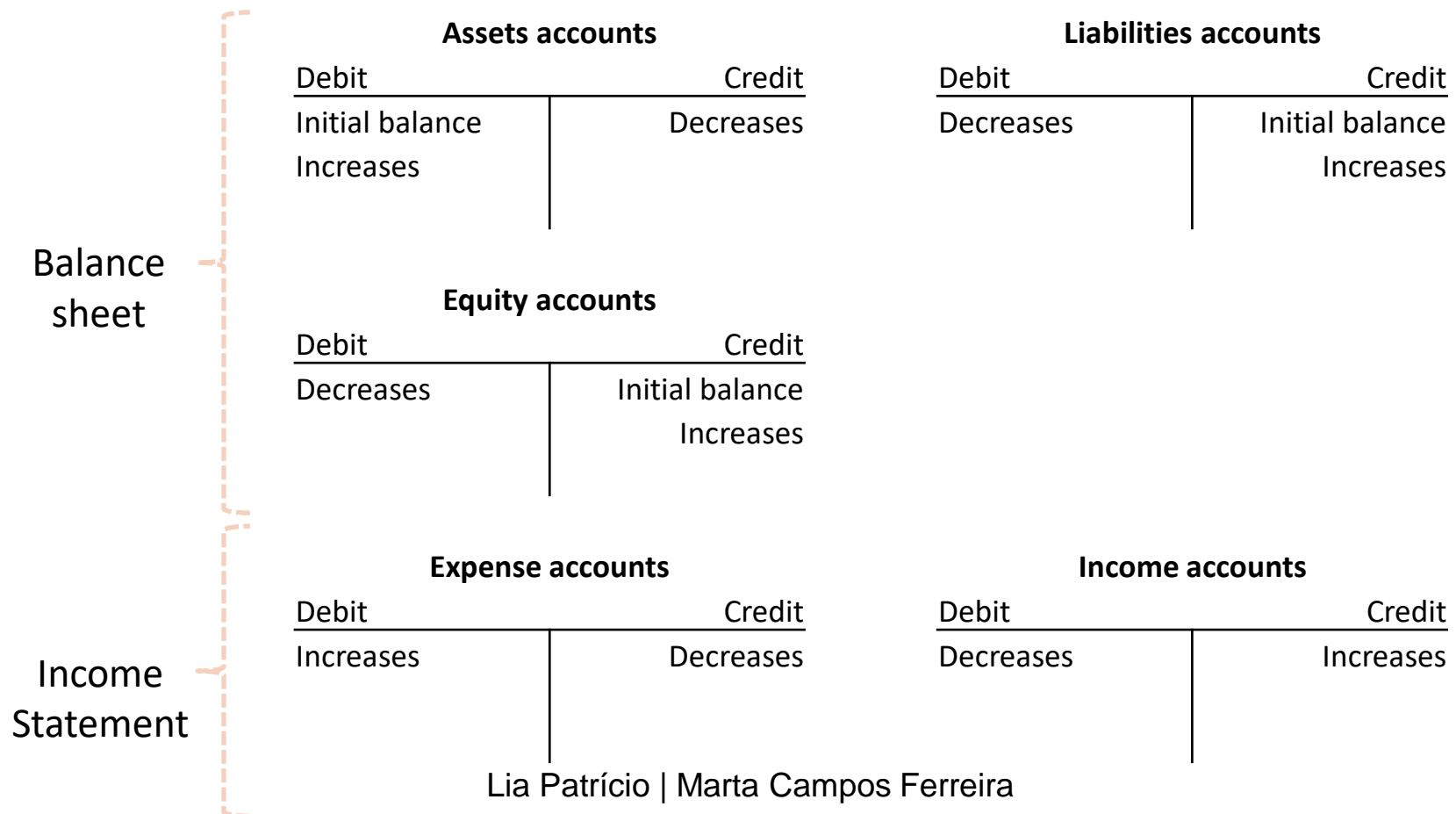
7 RENDIMENTOS		8 RESULTADOS	
71	Vendas	81	Resultado líquido do período
72	Prestações de serviços
73	Variações nos inventários da produção	89	Dividendos antecipados
74	Trabalhos para a própria entidade		
75	Subsídios à exploração		
76	Reversões		
77	Ganhos por aumentos de justo valor		
78	Outros rendimentos e ganhos		
79	Juros e outros rendimentos similares		

Relationship between balance sheet and income statement



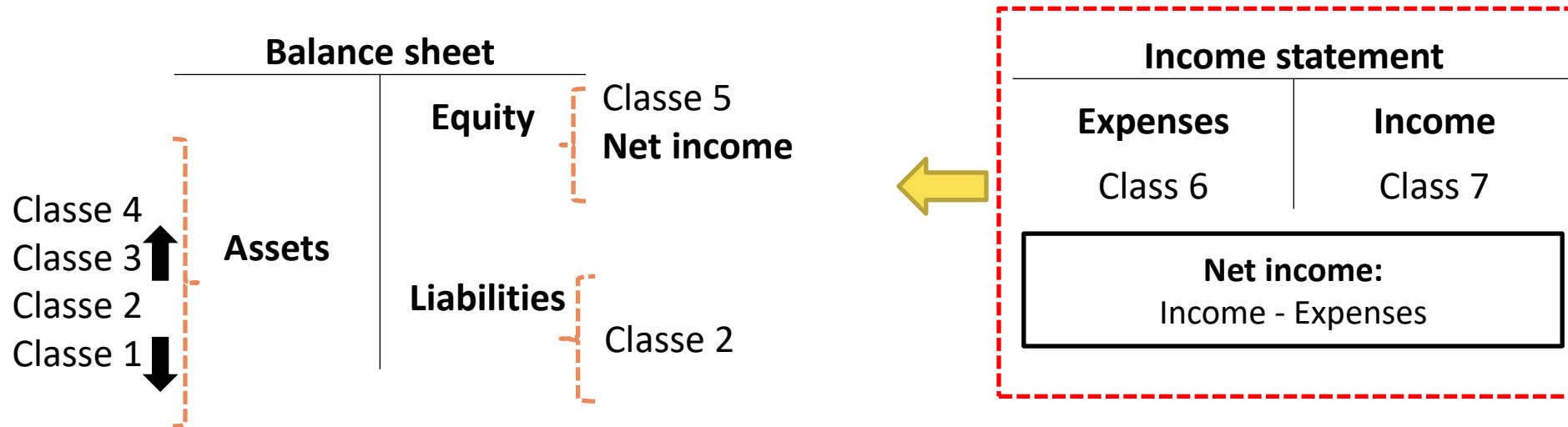
Account

- Account movements:



Examples (I)

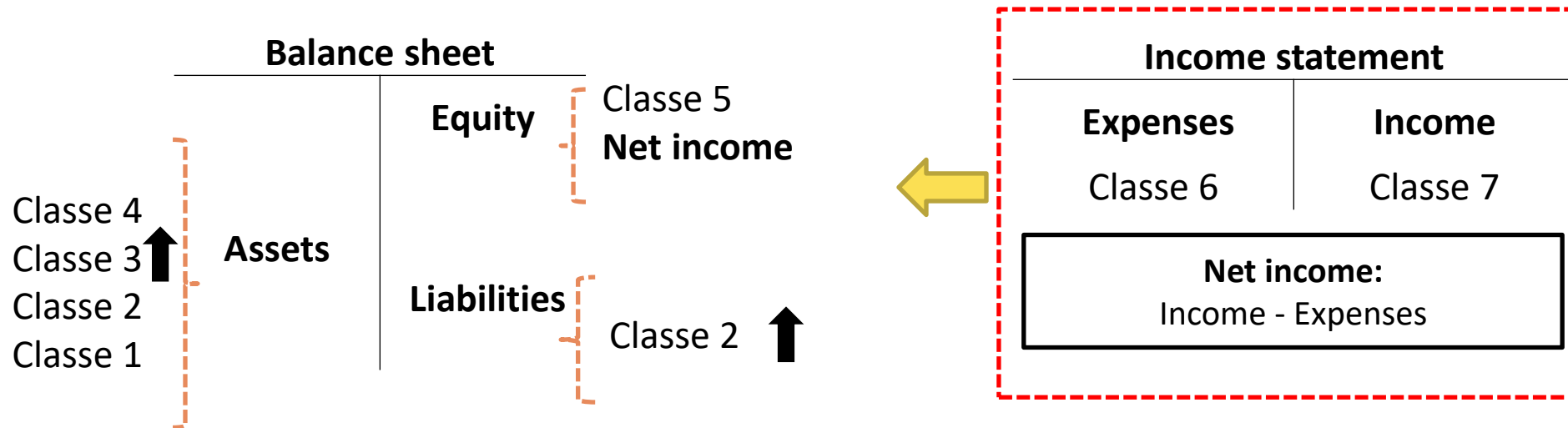
- Purchase of inventory (cash payment): 400€



- No impact on equity.

Examples (II)

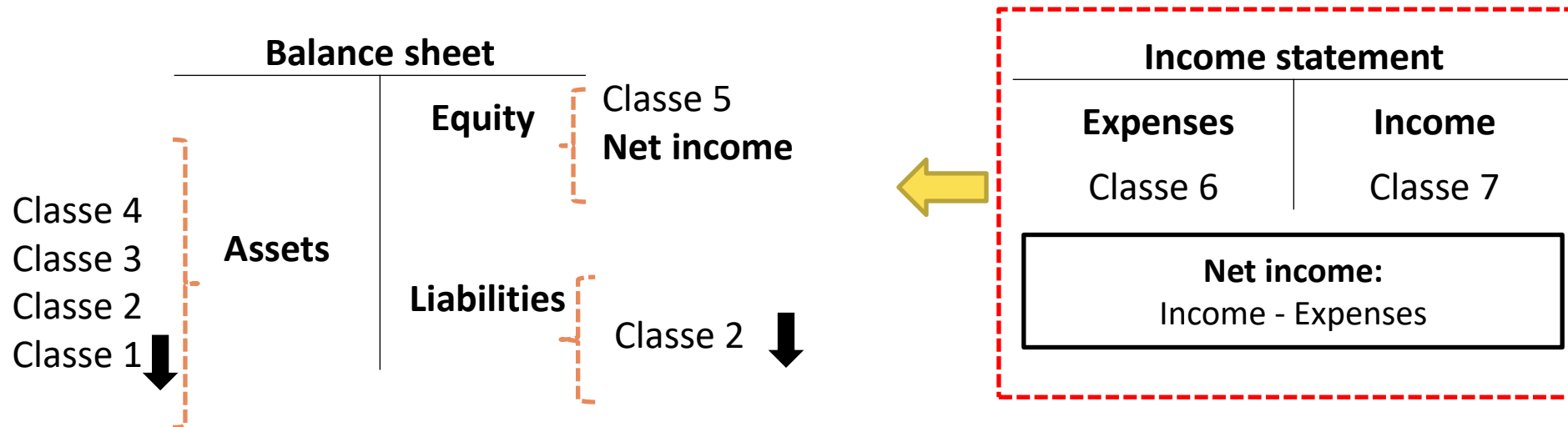
- Purchase of inventory on credit: 500€



– No impact on equity

Examples (III)

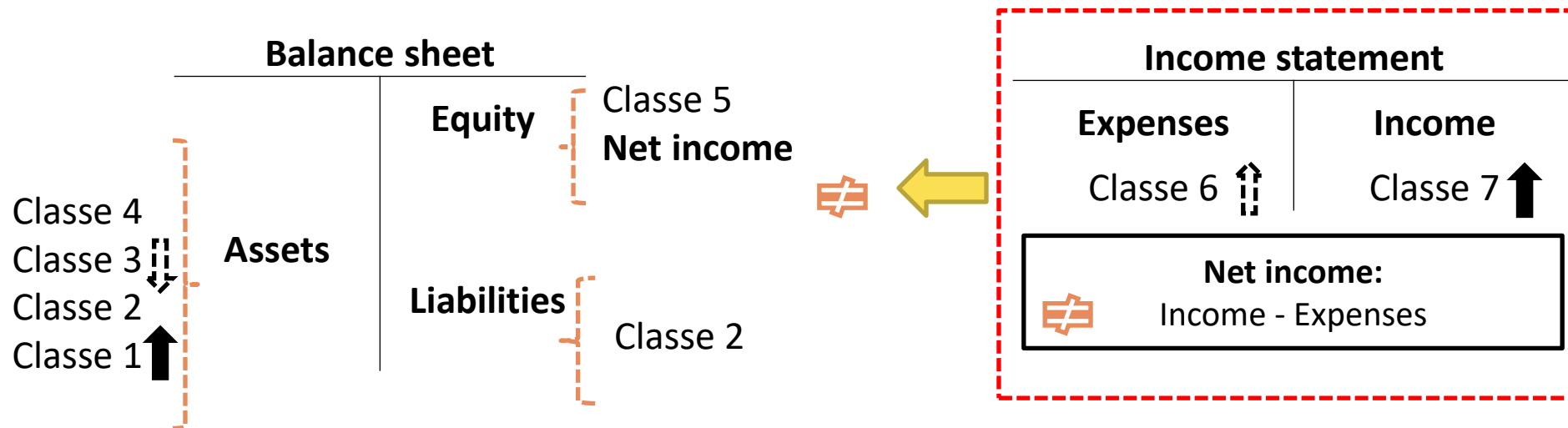
- Payment of accounts payable from inventory purchase: 500€



– No impact on equity.

Example (IV)

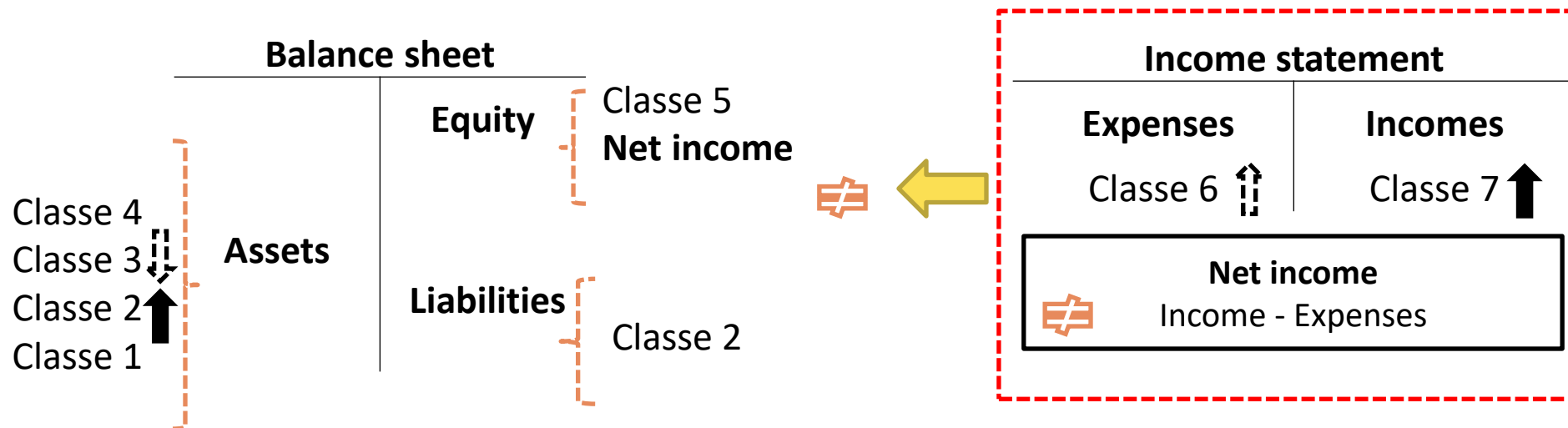
- Sales of inventory for 3.000€ (cash payment), which had cost 2.000€.



- There is simultaneous increase (sales) and decrease (cost of goods sold) of equity. The result is the difference – net income

Examples (IV)

- Sales of inventory for 3.000€ (on credit), which had cost 2.000€.



- There is simultaneous increase (sales) and decrease (cost of goods sold) of equity. The result is the difference – net income

Exercise 3

Income statement and cash-flow statement

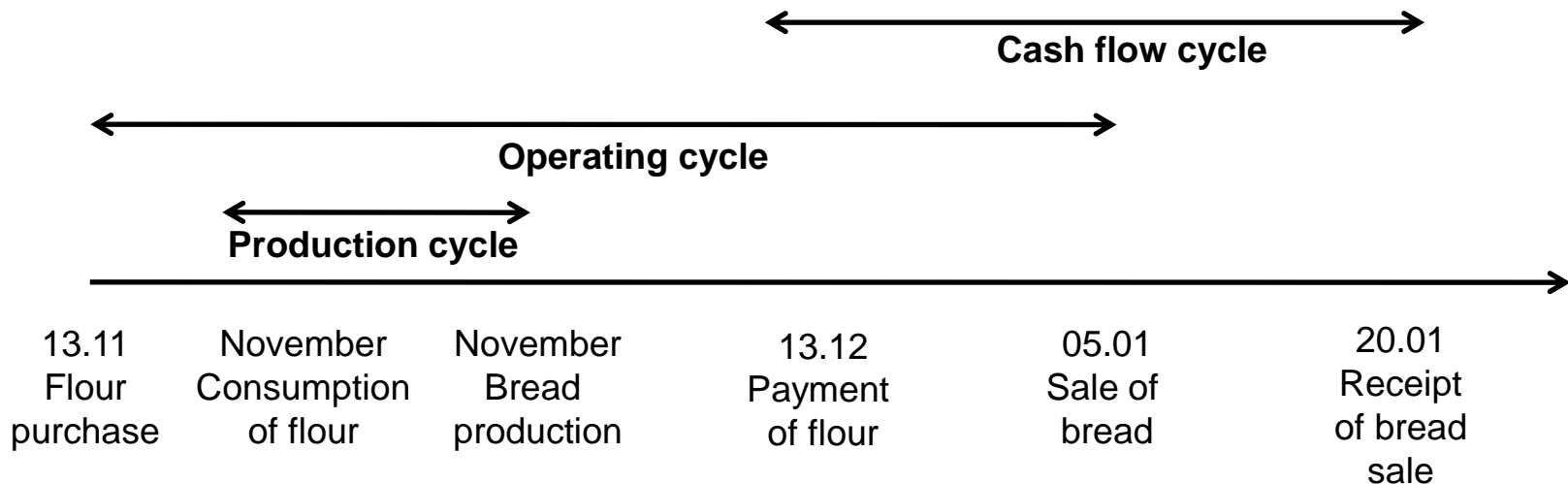
Financial flows: perspectives

- **Financial:** operations carried out by the company with external entities. Related to the remuneration of factors and goods and services sold.
 - **Expenses (despesas):** obligations arising from the purchase of productive factors. Facts giving rise to obligations to be paid.
 - **Revenue (receitas):** rights arising from sales made and/or services rendered. Facts that give rise to rights to receive.
- **Economic or Productive:** linked to the transformation and incorporation into the production process of various materials, labor, etc. until reaching the final good/service.
 - **Costs (gastos):** values incorporated and consumed in production.
 - **Yields (rendimentos):** finished products ready for sale. The company, when consuming goods and services, incurs expenses; producing them generates income.
- **Cash Flow:** cash inflows and outflows of the company.
 - **Receipts (recebimentos):** entry of monetary values for the company.
 - **Payments (pagamentos):** outflow of monetary values from the company.

Financial flows: perspectives

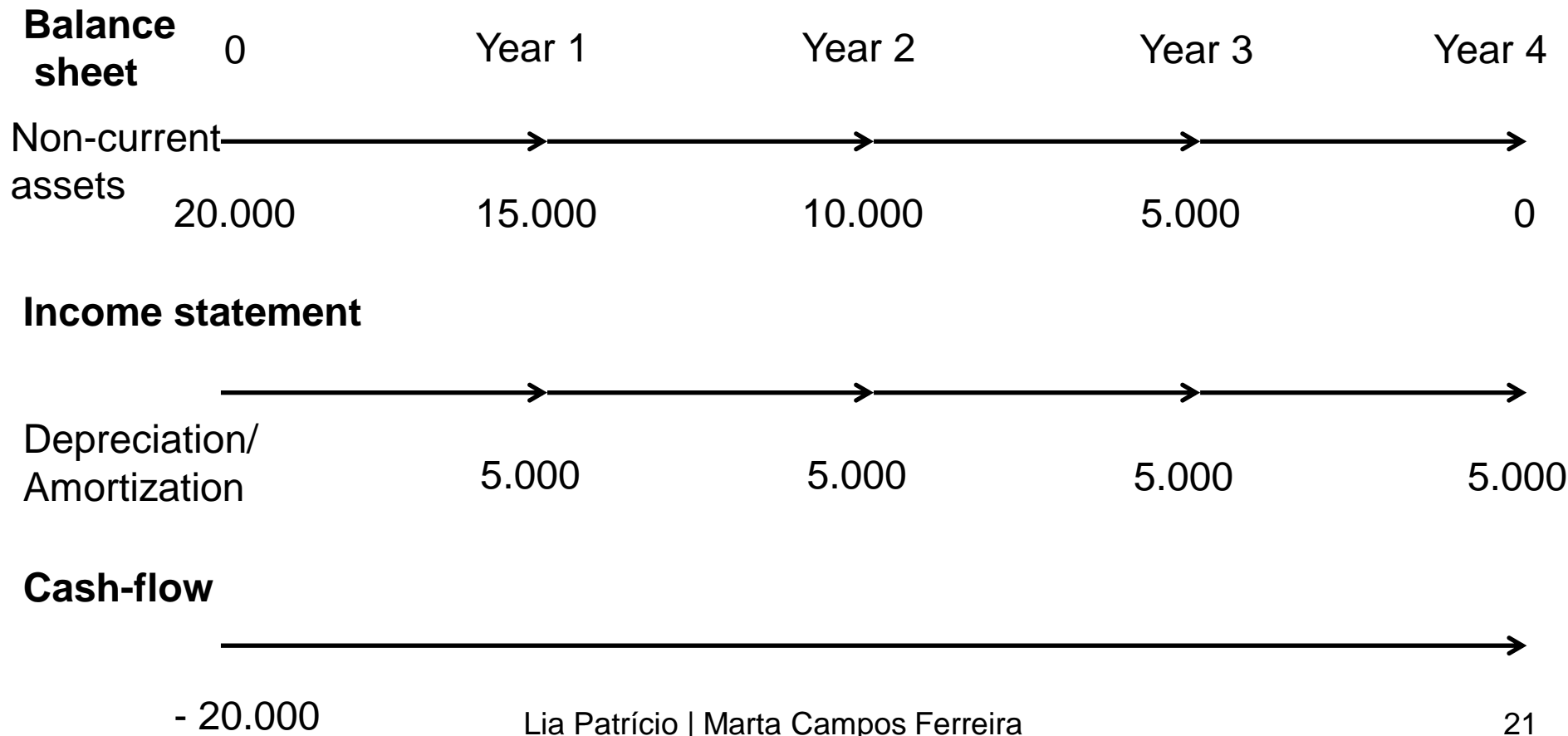
- **Example:** a company purchased on 13/11/2015, 10 tons of flour at a price of 4000 c.u./ton, to manufacture bread. The debt resulting from this acquisition would be paid on 13/12/2015. In November 2015 it used 2 tons of flour, producing 1,500 kg of bread, sold at 10u.m./kg on 5/1/2016, receiving the sale value on 20/1/2016.
- **Expense:** Purchase of flour on 13/11/2015
- **Cost:** Use of 2 tons of flour in November 2015
- **Yield:** Produce 1,500 kg of bread in November 2015
- **Payment:** 13/12/2015
- **Revenue:** 5/1/2016
- **Receipt:** 20/1/2016

Operating cycle and cash cycle



Depreciation and amortization

Purchase of a car that will be totally amortized in four years

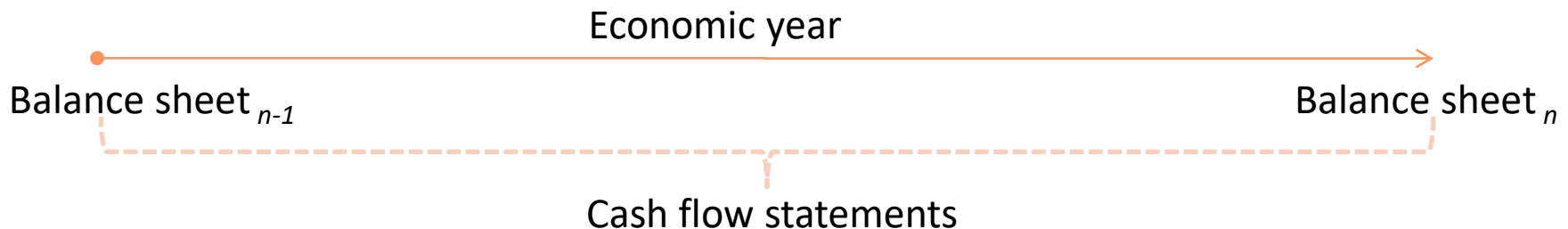


Financial flows:perspectives

- **Financial:** revenues and expenses
- **Cash flow:** receipts and payments

Cash flow statement


- **Cash flow statement (fluxos de caixa):** statement that presents the detailed historical information about what were the receipts and payments of a company during a specific period of time - demonstrates the company's ability to generate cash.



- Statement of cash flows
- For purposes of the statement of cash flows , cash receipts and payments are classified into three major activities :
 - Operational activities ;
 - Investment activities ;
 - Funding activities.

Cash flow statement

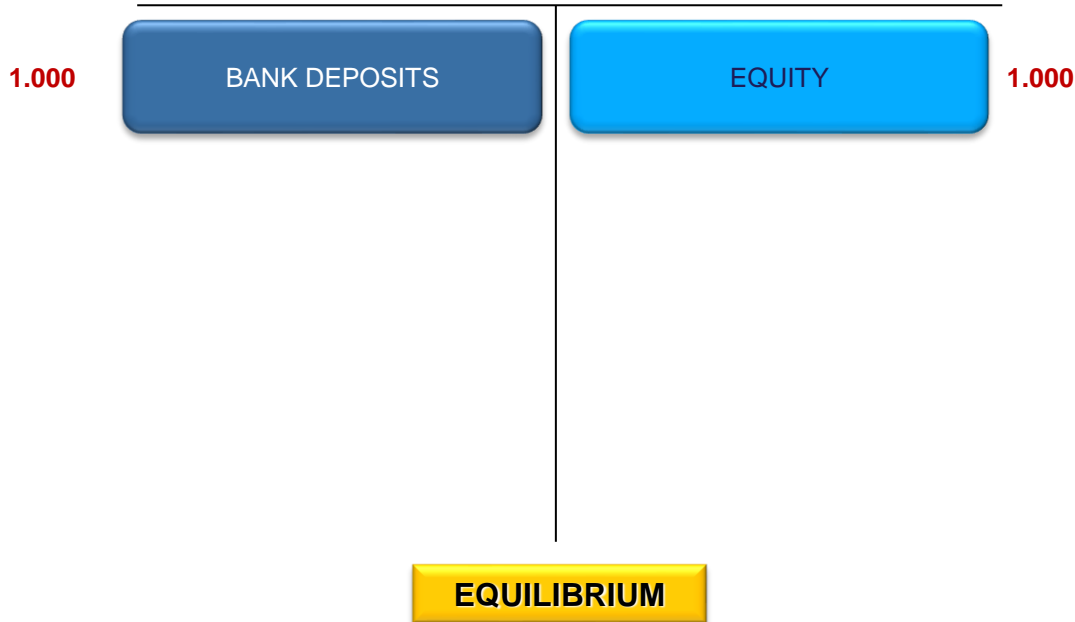
Cash at the beginning of the year (1)	Cash flows from Investment and Financing activities:
Cash Flows from operating activities:	Cash Receipts (5)
Cash Receipts (2)	Equity
Sales	Loans
Other Revenues	Cash Payments (6)
Cash Payments (3)	Loans repayments
Raw Materials	Investment
Personnel	Interest
Other production expenses	Dividends
Administrative expenses	Balance of investment and financing activities (7) = (5) – (6)
Commercialization expenses	Balance of Period (8) = (4) + (7)
Balance of operating activities (4) = (2)-(3)	Cash at the end of the year (9) = (1) + (8)



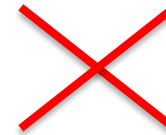
Financial statements

■ Relationship between financial statements

Balance Sheet



INCOME STATEMENT



CASH-FLOW STATEMENT

Money received
Initial equity

1.000

BANK DEPOSITS

■ Assets and Revenues

■ Equity

■ Liabilities and costs

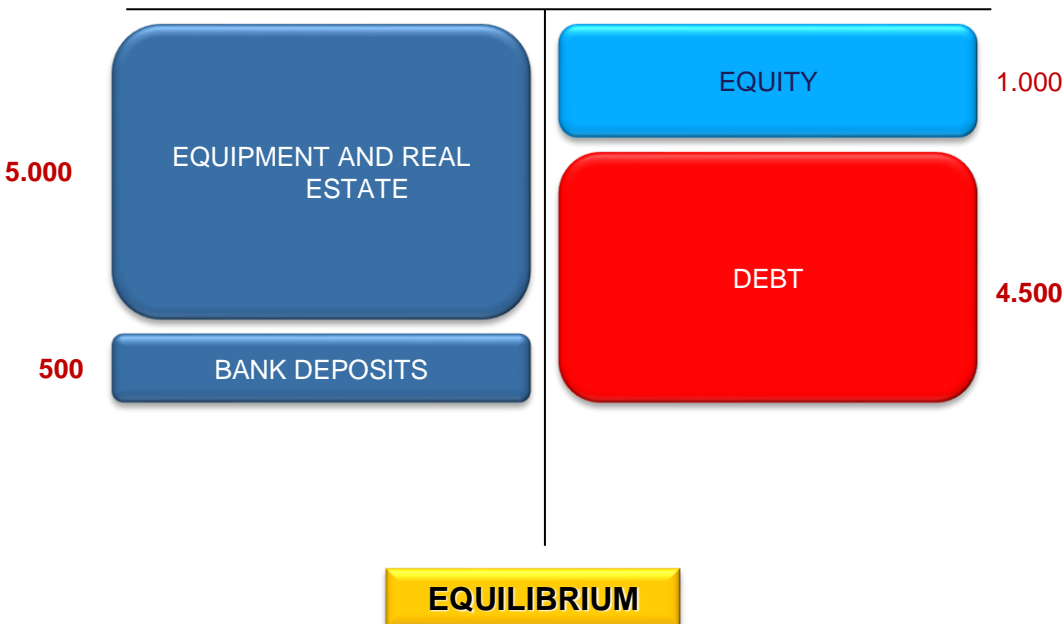
1. Firm is created with 1000€ capital

25 1.000

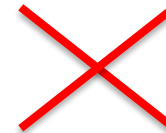
Financial statements

■ Relationship between financial statements

Balance Sheet






INCOME STATEMENT



CASH-FLOW STATEMENT

Money received	
<u>Initial equity</u>	1.000
<u>Bank debt</u>	4.500
Money paid	
<u>Equipment and real estate</u>	5.000

-  Assets and Revenues
-  Equity
-  Liabilities and costs

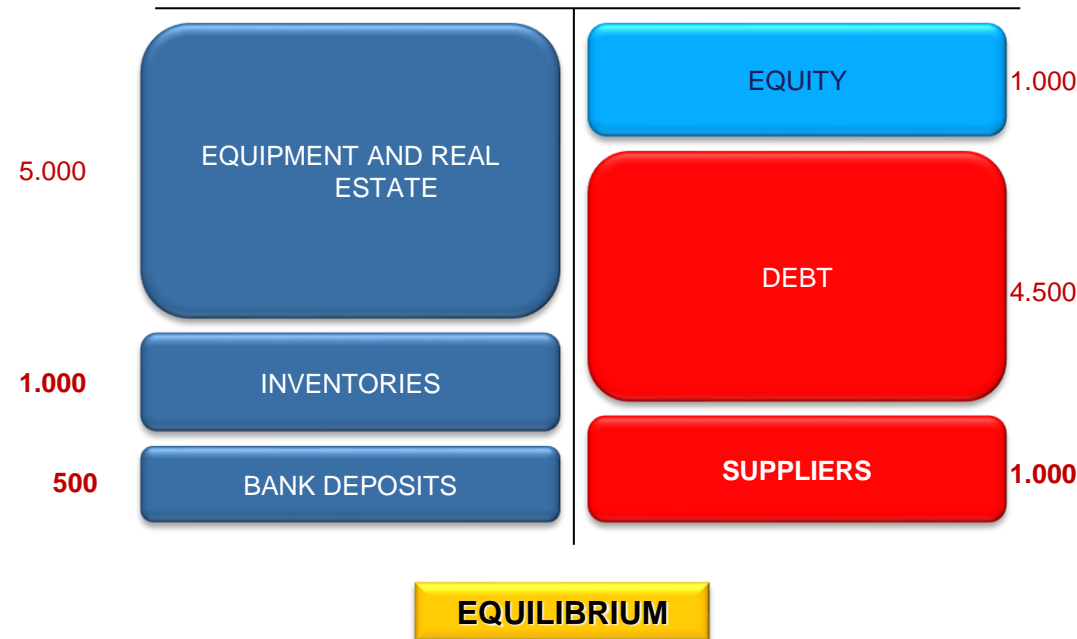
BANK DEPOSITS

2. Initial investment: equipment and real estate acquisition with higher value than the initial equity 5000€, It is paid 4500€ bank loan and 500€ in cash.

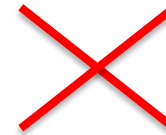
Financial statements

■ Relationship between financial statements

Balance Sheet



INCOME STATEMENT



CASH-FLOW STATEMENT

Money received	
Initial equity	1.000
Bank debt	4.500
Money paid	
Equipment and real estate	5.000



■ Assets and Revenues

■ Equity

■ Liabilities and costs

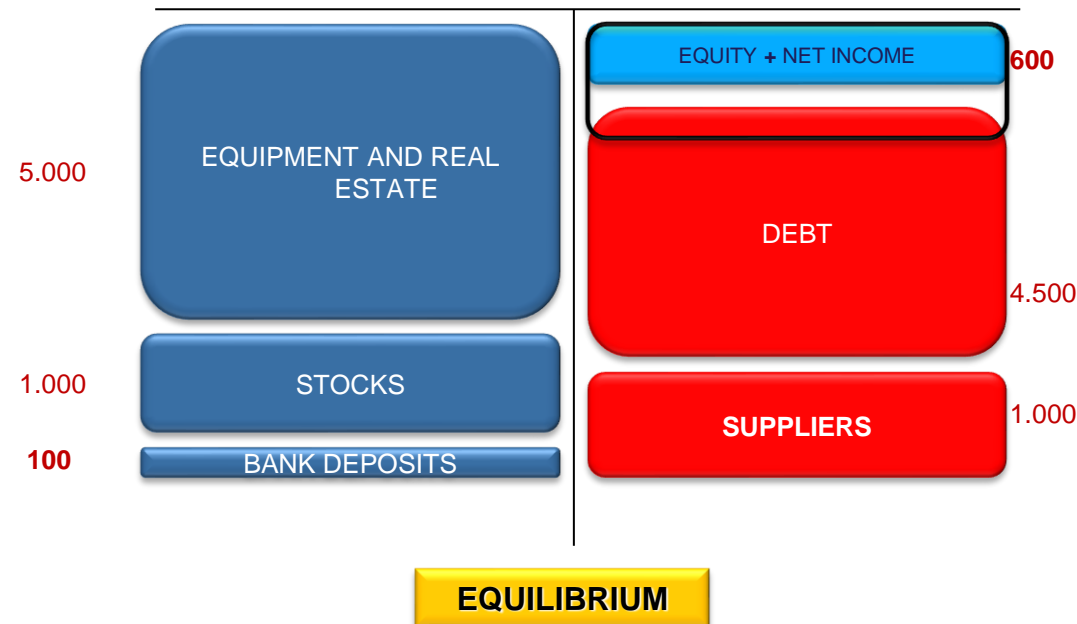
BANK DEPOSITS

3. Inventories acquisition with credit from supplier 1000€

Financial statements

■ Relationship between financial statements

Balance Sheet



INCOME STATEMENT

SERVICES	200
LABOUR COSTS	200
NET INCOME	(400)

CASH-FLOW STATEMENT

Money received	
Initial equity	1.000
Bank debt	4.500
Money paid	
Equipment and real estate	5.000
Adm. and general expenses	400

BANK DEPOSITS

■ Assets and Revenues

■ Equity

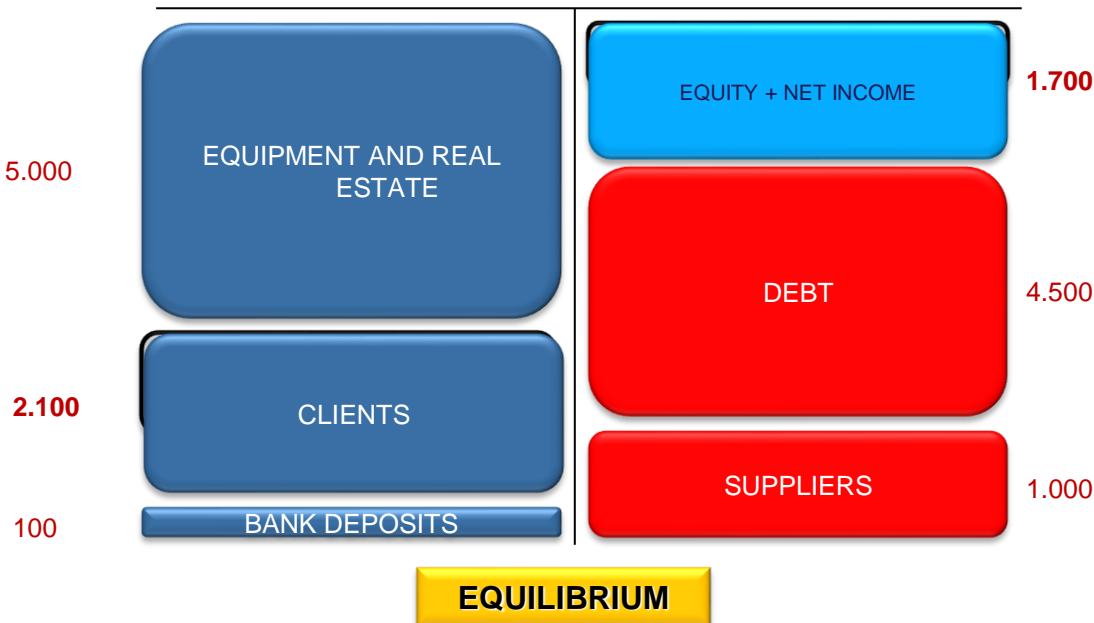
■ Liabilities and costs

4. Payment of salaries, electricity, water, insurance and other costs 200+200€ through bank account.

Financial statements

■ Relationship between financial statements

Balance Sheet



INCOME STATEMENT

SALES (REVENUES)	2.100
COST OF GOODS SOLD	1.000
SERVICES	200
LABOUR COSTS	200

NET INCOME	700
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CASH-FLOW STATEMENT

Money received	
Initial equity	1.000
Bank debt	4.500
Money paid	
Equipment and real estate	5.000
Adm. and general expenses	400

■ Assets and Revenues

■ Equity

■ Liabilities and costs

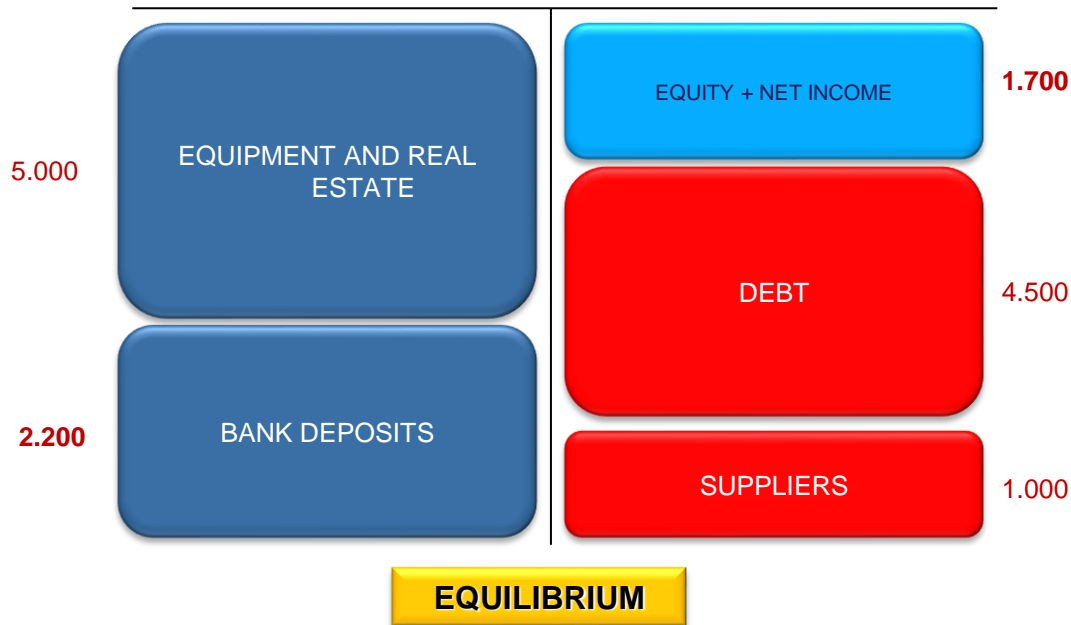
BANK DEPOSITS

5. The total amount of inventories (1000€) are sold for 2100€. Client does not pay with the sale.

Financial statements

■ Relationship between financial statements

Balance Sheet



INCOME STATEMENT

SALES (REVENUES)	2.100
COST OF GOODS SOLD	1.000
SERVICES	200
LABOUR COSTS	200
NET INCOME	700

CASH-FLOW STATEMENT

Money received	
Initial equity	1.000
Bank debt	4.500
<u>Payment from clients</u>	2.100
Money paid	
Equipment and real estate	5.000
Adm. and general expenses	400

■ Assets and Revenues

■ Equity

■ Liabilities and costs

BANK DEPOSITS

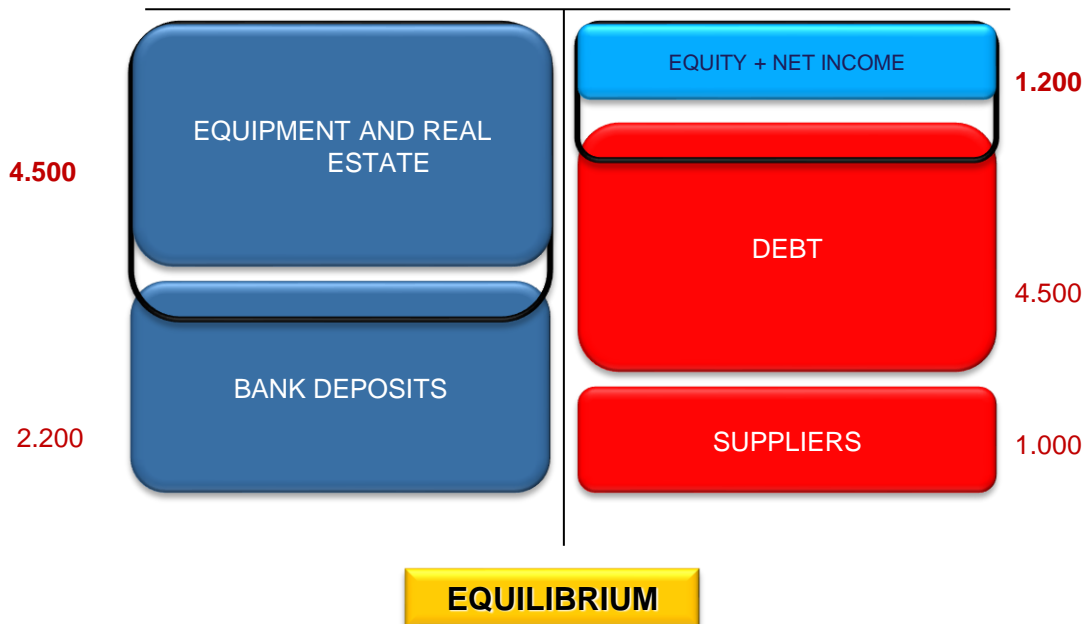
6. Payment from client 2100€

30 **2.200**

Financial statements

■ Relationship between financial statements

Balance Sheet



INCOME STATEMENT

SALES (REVENUES)	2.100
COST OF GOODS SOLD	1.000
SERVICES	200
LABOUR COSTS	200
AMORTIZATIONS AND DEPRECIATIONS	500
NET INCOME	200

CASH-FLOW STATEMENT

Money received	
Initial equity	1.000
Bank debt	4.500
Payment from clients	2.100
Money paid	
Equipment and real estate	5.000
Adm. and general expenses	400

■ Assets and Revenues

■ Equity

■ Liabilities and costs

BANK DEPOSITS

7. Equipment depreciation and amortization 500€

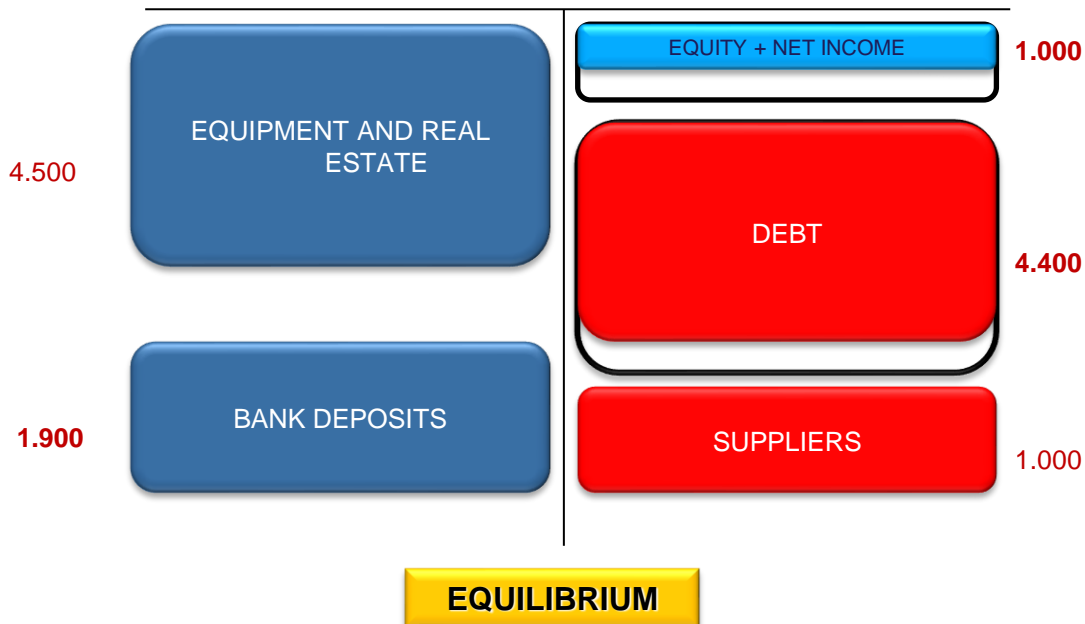
31

2.200

Financial statements

■ Relationship between financial statements

Balance Sheet



INCOME STATEMENT

SALES (REVENUES)	2.100
COST OF GOODS SOLD	1.000
SERVICES	200
LABOUR COSTS	200
AMORTIZATIONS AND DEPRECIATIONS	500
INTERESTS	200
NET INCOME	0

CASH-FLOW STATEMENT

Money received	
Initial equity	1.000
Bank debt	4.500
Payment from clients	2.100
Money paid	
Equipment and real estate	5.000
Adm. and general expenses	400
Bank repayment	300

BANK DEPOSITS

■ Assets and Revenues

■ Equity

■ Liabilities and costs

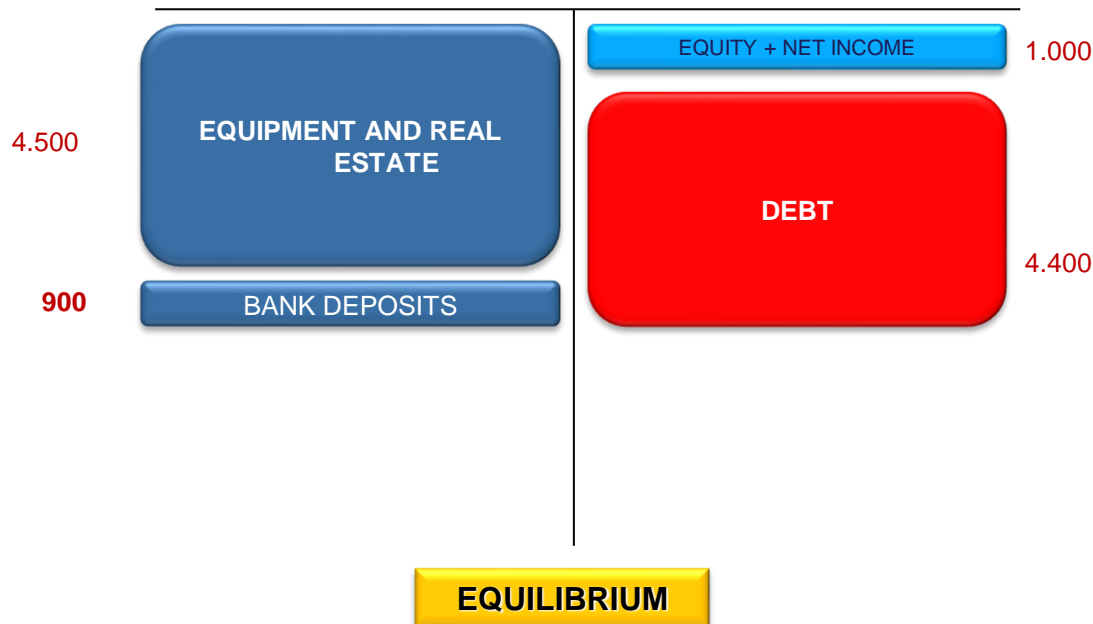
8. Partial payment to the bank (debt 100€ + interest 200€)

32 1.900

Financial statements

■ Relationship between financial statements

Balance Sheet



INCOME STATEMENT

SALES (REVENUES)	2.100
COST OF GOODS SOLD	1.000
SERVICES	200
LABOUR COSTS	200
AMORTIZATIONS AND DEPRECIATIONS	500
INTERESTS	200
NET INCOME	0

CASH-FLOW STATEMENT

Money received	
Initial equity	1.000
Bank debt	4.500
Payment from clients	2.100
Money paid	
Equipment and real estate	5.000
Adm. and general expenses	400
Bank repayment	300
<u>Payment to supplier</u>	<u>1.000</u>
	1.000

BANK DEPOSITS

■ Assets and Revenues

■ Equity

■ Liabilities and costs

9. Payment to supplier 1000€

33 **900**

Exercise 4