

Foundations of Management Specialization

Accounting: Making Sound Decisions

Prof. Marc Badia

FINAL QUIZ SOLUTIONS 1-12

1)

| A/P | | |
|----------------------|-------|--|
| | 200 | BB |
| Payment to suppliers | 1.450 | 1.500 purchases of inventory on credit |
| | 250 | EB |

2)

| Prepaid insurance | | |
|-------------------|----|----------------------|
| BB | 4 | |
| Prepayment | 36 | 34 Insurance expense |
| EB | 6 | |

3)

| Building and equipment | | |
|------------------------|-----|--|
| BB | 540 | |
| Purchase equipment | 120 | 80 Gross value of buildings and equipment sold |
| EB | 580 | |

| Accumulated depreciation | | |
|--------------------------|-----|-------------------------|
| | 484 | BB |
| Accumulated depr. | 50 | 40 Depreciation expense |

| | | | |
|---------------------------|--|-----|----|
| building & equip. sold | | 474 | EB |
|---------------------------|--|-----|----|

Net Book Value building and equipment sold = 80 - 50 = **30**

4)

| | | | |
|------------------|----|-----------|------------------|
| Interest payable | | | |
| | | 25 | BB |
| Interest paid | 60 | 55 | Interest expense |
| | | 20 | EB |

5)

| | | | |
|---------------|-----|------------|-------------|
| Taxes payable | | | |
| | | 35 | BB |
| Tax paid | 120 | 110 | Tax expense |
| | | 25 | EB |

6)

| | | | |
|-------------------|-----------|-----|------------|
| Retained earnings | | | |
| | | 120 | BB |
| Dividends paid | 30 | 336 | Net income |
| | | 426 | EB |

Solution to questions 7, 8 and 9:

Income Statement in year x4

| | | |
|----|---|------------|
| | Total Revenues | 2.200 |
| | Less: Cost of sales | (1.400) |
| 7) | Gross margin | 800 |
| | Less: Operating expenses | |
| | Selling and administration salaries | (240) |
| | Insurance expense | (34) |
| | Gain on sale of buildings and equipment | 15 |
| | Depreciation expense | (40) |
| 8) | Operating profit | 501 |
| | Interest expense | (55) |
| 9) | Profit before tax | 446 |
| | Income taxes | (110) |
| | Net profit | 336 |

Solution to questions 10, 11 and 12:

Cash Flow Statement for x4 (amounts in €000)

| | | |
|-----|--|--------------|
| | Receipts from customers | 2.100 |
| | Payments to suppliers | (1.450) |
| | Payments of salaries | (240) |
| | Prepayments of insurance | (36) |
| | Payments of interest | (60) |
| | Payments of taxes | (120) |
| 12) | Cash Flow from Operations | 194 |
| | Purchase of building and equipment | (120) |
| | Purchase of brand | (40) |
| | Proceeds from sale of building & equipment | 45 |
| 10) | Cash Flow from Investing | (115) |
| | Loan repayment | (150) |
| | Payment of dividends | (30) |

11)

| | |
|-------------------------------------|--------------|
| Cash Flow from Financing | (180) |
| Cash initial balance | 340 |
| Change in cash (CFO+CFI+CFF) | (101) |
| Cash ending balance | 239 |