

Foundations of Management Specialization

Accounting: Making Sound Decisions

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FINAL QUIZ SOLUTIONS 1-12

1)

	A/P		
•		200	ВВ
Payment to suppliers	1.450	1.500	purchases of inventory on credit
•		250	ЕВ

2)

Prepaid insurance

ВВ	4		•
Prepayment	36	34	Insurance expense
EB	6		•

3)

Building and equipment

ВВ	540	
Purchase equipment	120	80
EB	580	

Gross value of buildings and equipment sold

Accumulated depreciation

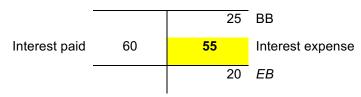
		484	ВВ
Accumulated depr.	50	40	Depreciation expense

building & equip. sold 474 EB

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

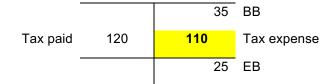
4)

Interest payable



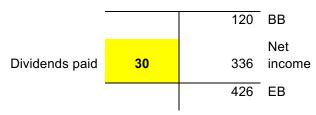
5)

Taxes payable



6)

Retained earnings



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