

ACCOUNTING: MAKING SOUND DECISIONS

QUIZ 4

Fibertech GmbH is a distributor of outdoors technical clothing. The company outsources the production of clothing to external manufacturers in Bangladesh and sells the clothing under its own brands. Below you are provided with the balance sheet at the end of x3 and x4, and the profit & loss and cash T-accounts for x4. Note that some numbers are missing in the T-accounts. You'll have to infer them in the questions below.

Fibertech GmbH Balance sheets at 31 December x3 and x4 (amounts in €000)

	Dec 31, x3	Dec 31, x4
<i>Non-current assets</i>		
Brands	50	90
Land	200	200
Building and equipment, gross	540	580
less: Accumulated depreciation	(484)	(474)
Building and equipment, net	56	106
Total non-current assets	306	396
<i>Current assets</i>		
Inventories	250	350
Accounts receivable	400	500
Prepaid insurance	4	6
Cash	340	239
Total current assets	994	1.095
Total assets	1.300	1.491
<i>Shareholders' equity</i>		
Share capital	170	170
Retained profits	120	426
Total shareholders' equity	290	596
<i>Non-current liabilities</i>		
Long-term bank loan	600	450
<i>Current liabilities</i>		
Short-term portion of long-term bank loan	150	150
Accounts payable	200	250
Taxes payable	35	25
Interest payable	25	20
Total current liabilities	410	445
Total liabilities and shareholders' equity	1.300	1.491

Profit and loss year x4

	Debit	Credit	
		-	BB
Cost of goods sold	1.400	2.200	Total sales
Depreciation expense	40	15	Gain on sale of buildings and equipment
Selling and administration salaries	240		
Insurance expense	?		
Interest expense	?		
Income taxes	?		
		336	Net Income

Cash

	Debit	Credit	
BB	340		
Receipts from customers	2.100	?	Payments to suppliers
Proceeds from sale of buildings and equipment	45	120	Purchase of equipment
		240	Payments of salaries
		36	Prepayments of insurance
		60	Payments of interest on loans
		150	Loan repayment
		120	Payments of taxes
		?	Payments of dividends
		40	Purchase of brand
EB	239		

Additional note:

Fibertech estimates its brands have an indefinite life and consequently they are not amortized.