

Final Test – Introduction to Finance

BIP, 2025

Your name

Question 1

The Bermejo Company, began business on January 1, 2018. The following summarized transactions occurred. Please record the entries in the accounting journal. Record the entries below each event.

- A) On January 1st Bermejo's stockholders contributed \$250.000 in cash in exchange for their equity stocks.
- B) On January 1st Bermejo paid \$24.000 cash for a vehicle.
- C) On December 31st Bermejo recognized total sales were \$200.000, of which \$30.000 were paid in cash. The rest was owed by customers. Assume COGS is zero.
- D) The life of the vehicle is estimated to be 10 years. Please estimate its depreciation and record it.

Question 2

Report the T accounts and trial balance for the general ledger and construct the income statement and balance sheet for Bermejo on 31-12-2018.

Question 3

Our manager has asked us to evaluate two potential projects that the company is thinking of pursuing and asked us for our opinion on which project we should proceed with. The company estimates their **discount rate** to be 4% for both projects. Each project lasts 5 years and the initial investment for each project is \$100,000. The cash flows and initial investment are the following:

Year	Project 1 Cash Flow	Project 2 Cash Flow
1	25,000	25,000
2	35,000	25,000
3	20,000	25,000
4	22,500	25,000
5	15,000	20,000
Initial Investment	100,000	100,000

Question 4

Company A and B are in the same industry (identical in all but 2 aspects, their Total Assets and Total Liabilities are the only items which differ).

The solvency ratio is Total Liabilities / Total Assets.

Company	Total Assets	Total Liabilities	Equity
Company A	\$500,000	\$200,000	?
Company B	\$600,000	\$900,000	?

- What is the company's equity?
- Which company is in a worse financial position?
- Make a comment on the characteristics of each of the company's solvency situation.

Question 5)

- Would you prefer \$100 today or \$100 in one years time?

- \$100 today

- \$100 in one years time

- Give a 1 or 2 sentence reason why?

Question 6)

Find the Future Value:

