

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	<u>306</u>	<u>396</u>
<i>Large depreciation, plans?</i>		
<i>Current assets</i>		
Inventories	250	350
Accounts receivable	400	500
Prepaid insurance	4	6
Cash	340	239
Total current assets	<u>994</u>	<u>1.095</u>
Total assets	1.300	1.491
<i>increased very large decreased</i>		
<i>Shareholders' equity</i>		
Share capital	170	170
Retained profits	120	426
Total shareholders' equity	<u>290</u>	<u>596</u>
<i>increased a lot</i>		
<i>Non-current liabilities</i>		
Long-term bank loan	<u>600</u>	<u>450</u>
<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	<u>410</u>	<u>445</u>
Total liabilities and shareholders' equity	1.300	1.491

Profit and loss year x4		
	Debit	Credit
• Cost of goods sold	1.400	- BB
• Depreciation expense	40	2.200 Total sales
• Selling and administration salaries	240	15 Gain on sale of buildings and equipment
• Insurance expense	34	
• Interest expense	55	
• Income taxes	110	
		336 Net Income

Cash		
	Debit	Credit
BB	340	
• Receipts from customers	2.100	1450 ? 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
		30 ? Payments of dividends
EB	239	40 Purchase of brand

Additional note:

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

INCOME STATEMENT

Total Sales	2,200
Costs	- 1,400
Gross Margin	800 36.4%
SG & A expenses	- 240
Sale buildings	15
Depreciation	- 40
Insurance	- 34
(EBIT)	Operating Margin 501 22.8%
Interest	- 55
Profit before Taxes	446 20.3%
Taxes	- 110
Net Profit	336 15.3%

CASH FLOW STATEMENT

CF Investing	
Sale buildings	+ 45
Purchase equip	- 120
Purchase brand	- 40
CFI	- 115

CF Financing	
Loan repayment	- 150
Dividends	- 30
CFF	- 180
Σ	
CF Operations	
Sales	2,100
Paym. Suppl.	- 1,450
Salaries	- 240
Insurance	- 36
Interests	- 60
Taxes	- 120
CF0	194