

Financial Reporting Midterm Exercises Pack

Income Statement and EPS

- 1) Revenue 500,000; COGS 290,000; Selling 40,000; Admin 35,000; Dep 10,000; Interest 12,000; Gain on sale 5,000; Tax 18,000. Calculate Gross profit, Operating profit, EBIT, EBT, Net income.
- 2) EPS (convertible preferred): NI 1,200,000; common shares 400,000; preferred 10,000 shares; dividend 8; conversion 4-for-1. Calculate basic and diluted EPS.
- 3) EPS (convertible bonds): NI 950,000; common shares 500,000; bonds 100,000 at 5%; tax 25%; conversion shares 20,000. Calculate basic and diluted EPS.
- 4) EPS (options): NI 2,000,000; common shares 800,000; options 50,000; exercise 20; avg market 25. Calculate basic and diluted EPS.

Cash Flows and FCFF/FCFE

- 5) Classify into CFO/CFI/CFF: cash from customers, paid suppliers, purchase machinery, sale equipment, borrowing, debt repayment, interest paid, dividends paid, interest received, dividends received, share issuance, tax paid.
- 6) Direct CFO: customers 420,000; suppliers (210,000); employees (95,000); rent/utilities (28,000); interest paid (12,000); interest received 4,000; dividends received 3,000; taxes (18,000). Compute CFO under US GAAP and IFRS reclassification case.
- 7) Indirect CFO: NI 150,000; Dep 25,000; Amort 8,000; Gain on sale 6,000; AR up 12,000; Inventory down 9,000; Prepaid up 3,000; AP up 7,000; Accrued liabilities down 4,000; Deferred tax expense 5,000. Compute CFO.
- 8) FCFF/FCFE from CFO: CFO 120,000; interest 18,000; tax 25%; CapEx 45,000; net borrowing 20,000. Compute FCFF and FCFE.
- 9) FCFF/FCFE from NI: NI 200,000; D&A; 35,000; interest 20,000; tax 30%; CapEx 50,000; Delta WC +12,000; net borrowing 8,000. Compute FCFF and FCFE.

Inventory

- 10) Initial inventory cost: purchase 50,000; trade discount 2,000; import duty 1,500; refundable VAT 3,000; transport 1,200; transit insurance 300; storage after arrival 800; abnormal waste 400; interest 900; packaging 700. Compute inventory cost and classify capitalized vs expensed.
- 11) Ratios: Sales 400,000; COGS 260,000; beginning inventory 48,000; ending inventory 56,000; current assets 150,000; cash 20,000; AR 40,000; current liabilities 75,000; liabilities 180,000; equity 120,000; NI 24,000; total assets 300,000. Compute inventory turnover, current, quick, D/E, ROA, ROE.
- 12) Periodic FIFO/LIFO: BI 100@10; P1 200@12; P2 150@14; P3 50@15; sold 300 units. Compute FIFO and LIFO COGS and ending inventory.
- 13) LIFO reserve conversion: Inventory LIFO 120,000; COGS LIFO 480,000; reserve begin 12,000; reserve end 18,000. Convert inventory and COGS to FIFO.
- 14) Inventory impairment/reversal (IFRS): Cost 40,000. Year 1 selling price 38,000, selling costs 3,000. Year 2 selling price 41,000, selling costs 2,000. Compute write-down and reversal.

Long-Term Assets and Intangibles

- 15) Depreciation schedules: Machine cost 100,000; life 5 years; residual 10,000. Compute straight-line and double-declining depreciation and carrying amounts.
- 16) IFRS impairment: Carrying 70,000; FV-CTS 58,000; VIU 62,000. Compute recoverable amount, impairment loss, and new carrying amount.
- 17) IFRS impairment reversal: next year recoverable 66,000; carrying before reversal 55,000; no-impairment carrying amount 64,000. Compute allowed reversal and new carrying amount.

- 18) IFRS vs US GAAP treatment: purchased patent, purchased indefinite-life trademark, internally developed brand, research, development after feasibility, goodwill, advertising, purchased customer list, internal website, internal-use software.
- 19) Patent amortization and impairment: patent cost 60,000, life 10 years, residual 0; at end of Year 3 VIU 39,000 and FV-CTS 36,000. Compute amortization, carrying amount, recoverable amount, impairment loss, and final carrying amount.