

Master in Law and Management
Year 2019/2020

Accounting

18th October 2019

75 minutes

FINAL EXAM

NAME: _____ STUDENT NUMBER: _____

Do not unstapled any paper sheet.
 Please check that your midterm has 7 pages.
Write student number in all pages.
 If you need draft paper, use the back of the sheets.
GOOD LUCK!

Group I (4 points)

State if the following sentences are True (T) or False.

Each correct answer is worth 0.5 points. For each wrong answer, you have a penalty of -0.25 points.

SENTENCES	
1. Dividends paid to shareholders are recognized as expenses.	<i>F</i>
2. When issuing a check for payment, the company is either doing one of the following: reduce a liability or pay an expense.	<i>F</i>
3. Company A holds a term deposit with bank BETA. It began on December 1 of year N-1 and ends on November 30 of N. When A receives interest from BETA on November 30 of N, A recognizes 100% revenue for the year.	<i>F</i>
4. Non-current asset receipts and payments are financing flows in the cash flow statement.	<i>F</i>
5. By borrowing a bank, a company increases its liabilities and consequently reduces its equity.	<i>F</i>
6. If the operating flows (in the cash flow statement) of a company are positive, the company generated a profit (positive result).	<i>F</i>
7. A company whose main activity is car rental must register the purchase of vehicles for rent in the Inventory.	<i>F</i>
8. When there is a return of sales by the customer, requires the registration of VAT regularization in favor of the state.	<i>F</i>

Group II (3 points)

For each of the following multiple-choice questions, **indicate the correct answer with a circle.**

For each wrong answer, you have a penalty of -0.25 points.

1. Consider the following sentences:

- I. Customers is always an asset.
- II. A building should always be registered as a non-current asset.
- III. Merchandise is presented as a liability in the balance sheet.
- IV. VAT is never an expense for a company.

Select the correct hypothesis:

- a) **All sentences are false**
- b) All sentences are true
- c) I. and IV. are false, II. and III. are true.
- d) Only IV. is false

2. Based on the financial statements produced by **financial accounting**, we can state that this is:

- a) Mandatory accounting focused on supporting decision-making by company managers.
- b) Optional accounting focusing on decision-making support for company managers.
- c) **Mandatory accounting focused on supporting decision-making of entities outside the company.**
- d) None of the above is correct.

3. In a given month, a company purchased basic equipment for 5000€ + 1000€ VAT, purchased merchandising goods worth 2000€ + 400€ VAT and sold goods for 3000€ + 600€ VAT. At the end of this month the company has:

- a) VAT payable in the amount of 600 euros
- b) VAT payable in the amount of 200 euros
- c) **VAT to be recovered in the amount of 800 euros**
- d) none of the above

4. There was an increase of 7.000€ in Company A's Assets and an increase of equal amount in its liabilities. Following the registration of a single transaction. This transaction could have been:
- a) The purchase of a car, with immediate payment of 7 000 €.
 - b) **Obtaining a bank loan of 7.000 €.**
 - c) The payment of 10.000€ to a supplier of goods, the debt of which (before payment) amounted to 17.000€.
 - d) The company has received from a customer 7.000€, which has been debt fully settled.

Group III (3 points)

Company "Silva, SA" trades a single computer model and renders technical assistance services. During December N, this company faced the following business transactions:

1. Credit purchase to supplier AA of 500 units of merchandise for 600 Euros per unit (plus VAT at 20%). The company obtained a trade discount of 10%.
2. Credit sale of 300 units, for 1.000 Euros per unit (plus VAT at 20%) to customer X.
3. Payment of the outstanding amount of transaction 1.
4. Processing and payment of wages to personnel in the amount of 74.000 Euros.
5. Cash receipt regarding a rent in the amount of 60.000 Euros.
6. Water, electricity and telephone expenses incurred in December N in the amount of 2.000 Euros. The respective invoices were issued by the suppliers in January N+1 (plus VAT at 20%).

Prepare the **Income Statement** for the period of December N. Show how to get the values for all the accounts.

Unit Purchase Price = 540€

Sales = $300 * 1.000€ = 300.000€$

CGS = $300 * 540€ = (162.000€)$

General Expenses = (2.000€)

Wages = (74.000€)

Other revenues = +60.000€

EBIT = 122.000€

Group IV (3.5 points)

Match the headings of the two boxes, indicate the letter (s) that **seem more to use**, bearing in mind that company “A” is **dedicated to buying and selling cars**:

<u>Name</u>	<u>Answer</u>
Office Equipment	NCA
Payment to suppliers of Merchandising	OA
Receiving from Customers	OA
Interest Payment	FA
Purchase of office supplies	E
Services rendered	I
Supported Rentals	E

Answer Key

Non-current assets	NCA
Income	I
Expenses	E
Liabilities	L
Cash Flow from Operating Activities	OA
Cash Flow from Investing Activities	IA
Cash Flow from Financing Activities	FA

Group V (1.5 points)

Based on the following list of payments and receipts from a company, that trade books, for period N:

- Payments to suppliers of goods: 10 000 €.
- Payment for the purchase of a building: 100 000 €.
- Borrowing a bank loan: € 20 000.
- Debt collection from customers: € 20 000.
- Interest payment: 6 000 €.

Total flows from **financing activities** in the Statement of the company's Cash Flows for period N is:

$$\text{CF FA} = +20.000 - 6.000 = +14.000\text{€}$$

Group VI (3 points)

The company “Estrela Branca, Lda.” has as its main activity the sale of home appliances, having been incorporated in year N with 100.000€ of capital in cash. During year N, it is known that it only carried out the following operations:

1. Credit purchase of merchandising goods with the value of 50.000€;
2. Cash sale of half of the goods purchased in point 1 by 60.000€;
3. Acquisition of land for construction of the company's headquarters, having paid immediate 50.000€ and the remainder value 70.000€ at N + 2;
4. Processing and payment of remuneration to staff with the value of 11.000€;
5. Borrow a bank loan of 22.000€ and supported and paid interest of 3.500€ in year N

Based on the information provided, Prepare the **Financial Position Statement** (Balance Sheet) for the 31st December N. Show how to get the values for all the accounts.

Non-current Assets	
Land.....	120.000€
Current Assets	
Inventories.....	25.000€
Bank.....	117.500€
 Total Assets.....	 262.500€
 Equity	
Capital.....	100.000€
Net Income.....	20.500€
 Total Equity.....	 120.500€
 Non-current Liabilities	
Suppliers of Invest.....	70.000€
Current Liabilities	
Loan.....	22.000€
Suppliers.....	50.000€
 Total Liabilities.....	 142.000€
Total Equity + Liabilities.....	262.500€