

1) How do the following transactions affect a company's balance sheet?

- The company buys material for 200.000 and pays cash.
- The company pays wages (140.000) and pays cash.
- The company sells products and gets paid cash (20.000).
- The company realizes that it has to pay taxes for the ongoing year (30.000).
- The company makes advance payments for some goods (15.000).
- The company gives advertising goods to business partners (for free).
- The company receives goods for free.
- The company sells some of its old computers (book value 20.000) for 5.000.
- The company decides to lease three cars for its employees (leasing rate 2.000 per month)
- The company sells its plant (book value 1.200.000) to a lessor (price 2.000.000) and leases back (rate per month 2.000)
- The company is sued and expects 2.000.000 of costs next year for conducting the process
- The company pays goods on credit (1.000.000)
- The company sells goods (book value 1.000.000) for 1.200.000 to another company and buys it back for 1.400.000. Transactions are paid cash.
- The company buys shares of another company (price 1.000.000). When the company prepares the balance sheet the market value of the shares is 1.300.000.
- Suppose one year later the shares are sold for 1.200.000
- Suppose there is no market value for an investment made by the company (2.000.000). One year later the company sells its investment for 2.400.000.
- The company transforms material (book value 110.000) to finished goods (cost of material 100.000). Cost for wages 10.000 paid cash.
- The company reimburses a credit (2.000.000) paying cash.
- The company sells own shares (nominal value 1.000.000) for 1.200.000.
- The company receives a new credit from a bank (1.000.000)
- The company reimburses a short-term credit (100.000) with a long-term credit (200.000)

2) A car dealer records the following transactions during his accounting year:

He buys the following cars:

1. 4 Mercedes SL500 (80.000 € each)	320.000 €
2. 6 Audi A6 (45.000 € each)	270.000 €
3. 2 Ferrari Testarossa (119.000 € each)	238.000 €
4. 4 Mercedes E240 (55.000 € each)	220.000 €
5. 10 BMW 7 (60.000 € each)	600.000 €
6. 22 Honda Civic (10.000 € each)	220.000 €
7. 20 VW Passat (15.000 € each)	300.000 €

He sells the following cars (some of them he owned already)

1. 3 Mercedes SL500 (book value 240.000 €) for	300.000 €
2. 1 Mercedes C190 (book value 33.000 €) for	30.000 €
3. 2 Audi A6 (book value 90.000 €) for	127.000 €
4. 1 Ferrari Testarossa (book value 119.000 €) for	160.000 €
5. 2 Mercedes E240 (book value 110.000 €) for	166.000 €
6. 5 BMW 7 (book value 300.000 €) for	420.000 €
7. 16 Honda Civic (book value 160.000 €) for	192.000 €
1. 10 VW Passat (book value 150.000 €) for	186.000 €
2. 6 Fiat Panda (book value 30.000 €) for	33.000 €
3. 2 BMW 3 (book value 60.000 €) for	80.000 €
4. 1 Mazda (book value 20.000 €) for	28.000 €

Furthermore, he spends for

➤ advertising	30.000 €
➤ personnel	112.000 €
➤ rent	156.000 €

He spends 6,4% interest on long-term debt (of 500.000 €) and pays 50% income tax.

a) Prepare the car dealers' income statement

b) What happens to the balance sheet? Suppose the following previous balance sheets:

Case 1: Balance Sheet as of previous year 00

Assets		Liabilities and Equity	
Cars	814.000	Current liabilities	114.000
		Long-term debt	500.000
		Equity	200.000
Total	814.000	Total	814.000

Case 2: Balance Sheet as of previous year 00

Assets		Liabilities and Equity	
Cash	606.000	Current liabilities	90.000
Cars	184.000	Long-term debt	500.000
		Equity	200.000
Total	790.000	Total	790.000

3)

Assets	2000	2001	2002
Cash	1.002.000	17.000	109.000
Accounts receivable	494.000	466.000	690.000
Inventory	4.683.000	4.358.000	6.684.000
Net fixed assets	10.340.000	13.640.000	11.640.000
Total	16.519.000	18.481.000	19.123.000

Liabilities / Equity	2000	2001	2002
Accounts payable	312.000	317.000	509.000
Notes payable	993.000	747.000	1.316.000
Long-term debt	8.000.000	8.000.000	7.600.000
Common stock	6.000.000	8.000.000	8.000.000
Retained earnings	1.214.000	1.417.000	1.698.000
Total	16.519.000	18.481.000	19.123.000

Income Statement	2001	2002
Sales	13.960.000	15.310.000
Cost of goods sold	8.490.000	8.980.000
Advertising	660.000	720.000
Personnel	1.204.000	1.268.000
Rent	400.000	400.000
Depreciation	1.600.000	2.000.000
EBIT	1.606.000	1.942.000
Interest	600.000	580.000
Taxes 50%	503.000	681.000
Net income	503.000	681.000
Dividends	300.000	400.000
Retained Earnings	203.000	281.000

Calculate the Cash Flow Statements for 2001 and 2002.

4) Consider the following business case. Prepare the financial statements (balance sheet, income statement, cash flow statement) for the year 01.

You decide to open a beverage store selling 3 different kinds of water: sparkling water, medium and natural water.

- 01.01.01: You decide to open the store
- 06.01.01: You put 10.000 € of your own money on the company's bank account
- 11.01.01: You get a bank loan (time to maturity 10 years) of 30.000 €, interest rate is 8%.
- 13.01.01: You sign a rental agreement about a store (rental payments 600 € are due on the 15th of each month, starting 15.01.01, payment in advance)
- 15.01.01: You order furniture for the store (price 8.000 €)
- 22.01.01: You hire an employee for your store (monthly payment 900 € due on the 15th, starting 15.02.01, payment for the whole month)
- 29.01.01: Furniture is delivered, you pay directly and receive 5% discount.
You apply straight-line depreciation over 8 years.
- 01.02.01: Your employee starts working and buys the following quantity of goods:
- | | | |
|------------------|--------------------------------------|---------|
| sparkling water: | 8.000 bottles (bottle price 0,80 €) | 6.400 € |
| medium water: | 6.000 bottles (bottle price 0,75 €) | 4.500 € |
| natural water: | 10.000 bottles (bottle price 0,85 €) | 8.500 € |
- 05.02.01: For the opening of your store you give a big party. You spend 2.400 €
- 07.02.01: For advertising you spend 1.320 €
- 10.03.01: You buy marketable securities (shares) for 2.000 €
- 01.05.01: Your employee buys the following quantity of goods:
- | | | |
|------------------|--------------------------------------|---------|
| sparkling water: | 10.000 bottles (bottle price 0,80 €) | 8.000 € |
| medium water: | 5.000 bottles (bottle price 0,80 €) | 4.000 € |
| natural water: | 9.000 bottles (bottle price 0,80 €) | 7.200 € |
- 18.07.01: You sell marketable securities (shares) for 2.800 €
- 01.08.01: Your employee buys the following quantity of goods:
- | | | |
|------------------|--------------------------------------|---------|
| sparkling water: | 7.000 bottles (bottle price 0,80 €) | 5.600 € |
| medium water: | 6.000 bottles (bottle price 0,85 €) | 5.100 € |
| natural water: | 10.000 bottles (bottle price 0,80 €) | 8.000 € |
- 07.09.01: You feel that your business proceeds well, and you buy a used car for the company 12.000 € (DDB depreciation for 6 years)
- 01.11.01: Your employee buys the following quantity of goods:
- | | | |
|------------------|-------------------------------------|---------|
| sparkling water: | 9.000 bottles (bottle price 0,80 €) | 7.200 € |
| medium water: | 4.000 bottles (bottle price 0,85 €) | 3.400 € |
| natural water: | 8.000 bottles (bottle price 0,75 €) | 6.000 € |
- 31.12.01: You make an inventory und realise that you have the following quantity of bottles left on stock:
- | | |
|------------------|---------------|
| sparkling water: | 4.000 bottles |
| medium water: | 3.000 bottles |
| natural water: | 6.000 bottles |

Remarks:

- The average price of your water sold was 1 € per bottle.
- No tax payments have been made during the first year.

5) Consider the following business case. Prepare the financial statements (balance sheet, income statement, cash flow statement) for the year 01. You try to reduce your tax payments by applying either FIFO-method or LIFO-method.

You decide to open a beverage store selling 2 different kinds of beer: Weizen and Pils.

- 01.01.01: You decide to open the store.
- 03.01.01: You put 20.000 € of your own money on the company's bank account.
- 03.01.01: You order furniture for the store (price 10.000 €).
- 08.01.01: You sign a rental agreement about a store (rental payments 600 € are due on the 1st of each month, starting 1.02.01, payment in advance).
- 18.01.01: You hire an employee for your store (monthly payment 1.100 € due at the end of each month, employee starts working on 01.02.01).
- 22.01.01: You buy a computer for 1.200 € (straight-line depreciation over 4 years).
- 31.01.01: Furniture is delivered, you pay directly and receive 5% discount.
You apply straight-line depreciation over 10 years.
- 01.02.01: You get a bank loan (time to maturity 8 years) of 60.000 €, interest rate is 9%.
- 01.02.01: You buy marketable securities (shares) for 10.000 €.
- 01.02.01: Your employee starts working and buys the following quantity of goods:
- | | | |
|---------|--------------------------------------|---------|
| Weizen: | 12.000 bottles (bottle price 0,40 €) | 4.800 € |
| Pils: | 10.000 bottles (bottle price 0,35 €) | 3.500 € |
- 02.02.01: For the opening of your store you give a big party. You spend 4.000 €.
- 04.02.01: For advertising you spend 2.400 €.
- 01.04.01: Your employee buys the following quantity of goods:
- | | | |
|---------|--------------------------------------|---------|
| Weizen: | 10.000 bottles (bottle price 0,45 €) | 4.500 € |
| Pils: | 12.000 bottles (bottle price 0,35 €) | 4.200 € |
- 18.07.01: You sell marketable securities (shares) for 3.200 € (book value 2.600 €).
- 01.06.01: Your employee buys the following quantity of goods:
- | | | |
|---------|--------------------------------------|---------|
| Weizen: | 14.000 bottles (bottle price 0,50 €) | 7.000 € |
| Pils: | 8.000 bottles (bottle price 0,40 €) | 3.200 € |
- 20.07.01: For advertising you spend 2.000 €.
- 01.08.01: Your employee buys the following quantity of goods:
- | | | |
|---------|--------------------------------------|---------|
| Weizen: | 10.000 bottles (bottle price 0,50 €) | 5.000 € |
| Pils: | 8.000 bottles (bottle price 0,40 €) | 3.200 € |
- 07.09.01: You feel that your business proceeds well, and you buy a used car for the company 18.000 € (SL depreciation for 6 years; 1/12 for the ongoing year)
- 01.10.01: You sign an insurance contract. Advanced payment for one year: 2.400 €
- 01.10.01: Your employee buys the following quantity of goods:
- | | | |
|---------|--------------------------------------|---------|
| Weizen: | 14.000 bottles (bottle price 0,40 €) | 5.600 € |
| Pils: | 10.000 bottles (bottle price 0,40 €) | 4.000 € |
- 01.12.01: Your employee buys the following quantity of goods:
- | | | |
|---------|-------------------------------------|---------|
| Weizen: | 6.000 bottles (bottle price 0,40 €) | 2.400 € |
| Pils: | 8.000 bottles (bottle price 0,35 €) | 2.800 € |
- 31.12.01: You make an inventory und realise that you have the following quantity of bottles left on stock:
- | | |
|---------|---------------|
| Weizen: | 6.000 bottles |
| Pils: | 8.000 bottles |

Remarks:

- The average price of your beer sold was 1 € per bottle.
- No tax payments have been made during the first year.
- Market value of remaining marketable securities 4.600 €.
- You didn't make any interest payments for your bank loan but you set up accruals.

6) The following financial statements of Hairstylist Ltd. are given. The company is a specialized hairdresser with 10 branches. There are one managing director, 4 branch directors and 40 employees working for the company. The managing director owns 60% of the companies shares, 30% belongs to an external investor and the rest is owned by the 4 branch directors (2.5% each).

Consider the following transactions and prepare the financial statements (balance sheet, income statement, cash flow statement) for the year 02. The managing director asks you how much of the net income should be paid as dividends. What would you recommend? Explain your decision. How would the results change applying LIFO method?

<i>Income Statement 01</i>	
Revenues	2.320.000
Cost of Goods Sold (Cosmetics)	120.000
Administrative Costs (Salary management)	480.000
Pension payments (annuity insurance)	24.000
Wages (40 employees)	960.000
Advertising	80.000
Rent (incl. Water, gas etc.)	144.000
Depreciation SL 6 years (car)	10.000
Depreciation SL 10 years (equipment)	30.000
Accruals for reparation	30.000
Insurance	12.000
Other Revenues (from marketable sec.)	35.000
Other Expenses (9% of LTD)	45.000
Taxable Income	420.000
Taxes (25%)	105.000
Net income / loss	315.000
Retained earnings	65.000

Assets		Liabilities and Equity	
Cash	535.000	Wages payable	80.000
Marketable Securities	350.000	Taxes payable	20.000
Advanced payments	40.000	Accruals	30.000
Inventory (FIFO 4000 units @ 5)	20.000	Long-term debt	500.000
Equipment / Furniture	240.000	Equity	100.000
Car	50.000	Retained Earnings	190.000
		Net income 01	315.000
Total Assets	1.235.000	Total Liabilities and Equity	1.235.000

- 01.01.02: Salaries and wages are paid: 120.000 €.
- 04.01.02: 40.000 € are spent for advertising.
- 12.01.02: An additional employee is hired for one of the branches (monthly payment 2.000 € due at the beginning of the following month, employee starts working on 01.02.02).
- 31.01.02: In January inventory was bought for 10.000€ (2.000 units @ 5) and sold for 20.000€ (3.000 units).
- 01.02.02: Salaries and wages are paid: 120.000 €.

- 18.02.02: The company sells marketable securities for 200.000 € (book value 160.000 €).
28.02.02: The company signs a rental agreement for a new branch (rental payments (all incl.) 1.000 € are due on the 1st of each month, starting 1.04.02, payment in advance).
01.03.02: Salaries and wages are paid: 122.000 €.
14.03.02: The owners of the company agree on a total dividend payment of 250.000€ (compare income statement of 01)
24.03.02: Dividends are paid.
01.04.02: Salaries and wages are paid: 122.000 €.
02.04.02: For the opening of the new branch a big party is given. Expenses 30.000 €.
07.04.02: Remaining taxes for 01 (20.000€) are paid.
01.05.02: Salaries and wages are paid: 122.000 €.
31.05.02: From February 1st to May 31st inventory was bought for 50.000€ (12.500 units @ 4) and sold for 120.000€ (9.000 units).
14.05.02: Reparation expenses: 32.000€.
01.06.02: Salaries and wages are paid: 122.000 €.
30.06.02: In June inventory was bought for 10.000€ (2.000 units @ 5) and sold for 20.000€ (2.500 units).
30.06.02: The company reimburses a bank loan 200.000 €, (suppose: monthly interest rate was 9%/12).
01.07.02: Salaries and wages are paid: 122.000 €.
31.07.02: In July inventory was bought for 10.000€ (2.500 units @ 4) and sold for 20.000€ (2.500 units).
01.08.02: Salaries and wages are paid: 122.000 €.
04.08.02: 40.000 € are spent for advertising.
01.09.02: Salaries and wages are paid: 122.000 €.
01.09.02: Fees for the insurance contract are due (50% increase compared to 01). Advanced payment for one year: 18.000 €.
01.10.02: Salaries and wages are paid: 122.000 €.
03.10.02: New furniture is ordered (price 20.000 €).
17.10.02: The external investor sells his share (book value 30.000 €) of the company to the managing director. Price: 150.000€.
01.11.02: Salaries and wages are paid: 122.000 €.
17.11.02: Taxes for 02 are paid: 180.000€.
22.11.02: Furniture is delivered, the company decides to pay next year. Straight-line depreciation over 10 years is applied (full year in 02).
01.12.02: Salaries and wages are paid: 122.000 €.
31.12.02: From August 1st to December 31st inventory was bought for 80.000€ (16.000 units @ 5) and sold for 140.000€ (19.500 units).
31.12.02: The company makes an inventory und realise that part of the cosmetic goods has been stolen:
Inventory goods 2.000 units
01.01.03: Salaries and wages (for December 02) are paid: 122.000 €.

Remarks:

- Revenues from haircutting in 02: 2.127.000€.
- Salaries are paid in advance, wages at the 1st of next month.
- No advanced payments for inventory is made in 02.
- Revenues from marketable securities (not from trading): 28.000€.
- All else is unchanged from year 01.

7) Batman Döner is a doner kebab restaurant. Mr. Batman started his business 2 years ago and is quite happy with the past development of his company. One doner kebab consists of approximately 0,200kg of meat, a special roll, some cabbage, onions, sauce and tomato. One doner skewer can take between 15 to 20kg of meat which is sufficient for approximately 100 doner kebab.

Here is the data from his financial statements:

Balance Sheet year 01 and 02:

	Year 01	Year 02
Assets	47.400	44.700
Cash	9.000	12.700
Accounts receivable	100	200
Inventory	(500 @ 0,8 €) 400	(750 @ 0,8 €) 600
Car	28.000	22.400
Furniture	9.900	8.800
Liability and Owner's Equity	47.400	44.700
Accounts payable	400	700
Bank Account		
Long Term Debt	27.000	24.000
Equity	20.000	20.000
Retained Earnings	0	0

Income Statement

	Year 01	Year 02
Sales	75.000	90.000
Costs of Goods Sold	20.000	24.000
Wages	36.000	38.400
Salary	9.600	9.600
Depreciation (car)	5.600	5.600
Depreciation (furniture)	1.100	1.100
Interest payments	2.400	2.160
Taxable Income	300	9.140
Taxes	75	2.285
Net income	225	6.855
Retained Earnings	0	0

Background information:

- The company applies SL depreciation for the car and furniture.
- Interest payment is 8% of beginning long term debt, at the end of every year Mr. Batman reimburses 3.000 €.
- Mr. Batman is working with 2 employees, in year 01 each one earned 1.500 € per month, in year 02 each one earned 1.600 € per month. He paid himself a salary of 800 € per month.
- The unit cost (for one doner kebab) was 0,8 € in both years.

In year 03 Mr. Batman made the following transactions:

- Batman Döner sold 39.000 doner at a price of 3 € / doner.
- Batman Döner bought meat for 20.000 €, rolls for 4.000 €, vegetables for 5.800 € and sauce for 2.000 € which corresponds to 39.250 units of doner kebab. Goods for 300 € aren't paid yet.
- In year 03 Mr. Batman is working with 3 employees each one earning 1.600 € per month. He pays himself a salary of 1.000 € per month.
- Batman Döner buys marketable securities for 3.000 € on February 12th, he sells part of the marketable securities (book value 1.200 €) for 2.000 € on March 21st and buys new securities for 3.800 € on March 22nd. Later he sells securities (book value 3.000 €) for 1.800 € on September 30th. Market value of the remaining securities 1.200 € on December 31st.
- Batman Döner signs an insurance contract on January 17th. Annual fee 1.080 €. Contract starts on February 1st.
- Batman Döner sells the car for 20.000 € on July 17th and leases a new one. Monthly leasing rate 900 € starting from August 1st.
- Accounts receivable at the end of year 03 are 300 €.

Prepare the financial statements (balance sheet, income statement, cash flow statement) for year 03. How would you judge the development of the company. Explain your judgement using relevant ratios from financial analysis. What would you suggest for the future?