Answers

Assignment 1

(a)1 (2 credits)

Accounts Receivable	45	
to Sales Revenues		45
Cost of Goods Sold	25	
to Merchandise Inventory		25

(a)2. (2 credits)

Prepaid Rent	144	
to Cash		144

(a)3 (2 credits)

Cash	500	
to Bonds Payable		500

(a)4 (2 credits)

Wages Expense	55	
to Cash		55

(a)5. (2 credits)

Cash	15	
to Accounts Receivable		15

(a)6. (2 credits)

Cash		34	
to	Unearned Revenues		34

(b)7. (2 credits)

Interest Expenses		30	
to	Interest Payable		30
(9/12 x 8% x 500)			

(b)8. (2 credits)

Depreciation Expenses		18	
to	Accumulated Depreciation Automobiles		18
(1/5 x (100 -10))			

(b)9. (2 credits)

Uncollectible Accounts Expense		36	
to	Allowance for Uncollectible Accounts		36
(4% x 900)			

(b)10. (2 credits)

Allowance for Uncollectible Accounts		30	
to	Accounts Receivable		30

Assignment 2

a. (2 credits)

1. Matching
2. Conservatism (Prudence)

b. (2 credits)

$\Delta A = \Delta L + \Delta SE$; $+220 = -100 + \Delta SE$;

$\Delta SE = 320 =$ Net Inv. + Revenues – Expenses – Dividends

$320 = 90 +$ Revenues $- 1{,}260 - 40$

Revenues **= 1,530**

c. (4 credits)

3) That football clubs will not make too many debts is probably crucial for their financial health. The 50% criterium is a reasonable upper limitation.

4) Times interest earned is principally also a good measure, to see whether a company is not overloaded with debt, but then a minimum value should have been formulated, not a maximum value.
1) To make a good return on investments is a sign of good financial health, but a ROE of 25% is quite high, i.e. KNVB will normally not demand that level.
2) Asset turnover is not a very interesting ratio for a football club, because the connection between assets in the balance sheet and revenues in the income statement is not very strong. A value of 15 is quite high, unless e.g. the stadium is almost completely depreciated.

d. (4 credits)

Op CF = 390 + 120 + 70 – 9 – 11 + 34 + 24 **= 618**

Assignment3

a. (2 credits)

$$Qbe = \frac{160{,}000}{99 - (20 + 40 + 10 + 1 + 2.50 + 0.50)} = \frac{160{,}000}{99 - 74} = \mathbf{6{,}400\ units}$$

b. (2 credits)

NI = 70% x (9,000 x 25 – 160,000) = **45,500**

c. (2 credits)

$$\%\text{-Safety margin} = \frac{8{,}000 - 6{,}400}{8{,}000} = \mathbf{20\%}$$

d. (2 credits)

$$q = \frac{160{,}000 + 36{,}750 / 70\%}{99 - 74} = \frac{212{,}500}{25} = \mathbf{8{,}500}$$

e. (2 credits)

Δ OI = 800 x (99 - 74) – 25,000 = **-5,000**

ALSO: **DON'T!** (OR: 40,000 (1,600 x 25) becomes 35,000)

f. (2 credits)

Δ OI = 1,500 x [80 – (74 – ¼ x 20 – 1 – 2.50)]
= 1,500 x (80 – 65.50)
= 21,750
Accept order!

g. (2 credits)

Δ OI = 21,750 – 500 x 25 **= 9,250**

h. (2 credits)

1. Non-linear cost functions possible in practice.
2. Fixed costs may increase step by step.
(3. Multiproduct businesses are found in practice.)

Assignment 4

4a	Statement I: False, is plan; Statement II: True, fixed costs.
4b	(88,000 x 2 + 8,000 – 6,000) x 2.50 = 445,000
4c	(90,000 – 88,000) x (20 – 15) = 10,000 Favorable
4d	(90,000 x 2 - 184,500) x 2.50 = 11,250 Unfavorable
4e	(30.00 – 30.25) x 675.180/30.25 = 5,580 Unfavorable
4f	90,000 x 2.50 - 249,280 = 24,280 Unfavorable
4g	176,000 – 169,000 = 7,000 Favorable