Answers

Assignment 1

(a)1 (2 credits)

Accounts Receivable		45
to	Sales Revenues	45
Cost	t of Goods Sold	25
•••••	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)

Wage	es 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	(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)

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\Delta A = \Delta L + \Delta SE; +220 = -100 + \Delta SE;
\Delta SE = 320 = \text{Net Inv.} + \text{Revenues} - \text{Expenses} - \text{Dividends}
320 = 90 + \text{Revenues} - 1,260 - 40
\text{Revenues} = 1,530
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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)

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Op CF = 390 + 120 + 70 - 9 - 11 + 34 + 24 = 618
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Assignment3

a. (2 credits)

	160,000	160,000
Qbe =	=	= 6,400 units
	99 – (20 + 40 + 10 + 1 + 2.50 + 0.50)	99 – 74

b. (2 credits)

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

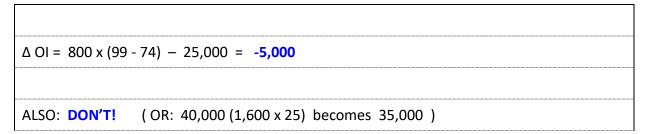
c. (2 credits)

	8,000 – 6,400		
%-Safety margin =	= 2	0%	
	8,000		

d. (2 credits)

160	,000 + 36,750 / 70%	212,500	
ı =		= = 8,500	
	99 – 74	25	

e. (2 credits)



f. (2 credits)

 $\Delta \text{ OI} = 1,500 \times [80 - (74 - \frac{1}{4} \times 20 - 1 - 2.50)]$ $= 1,500 \times (80 - 65.50)$ = 21,750Accept order!

g. (2 credits)

 $\Delta \text{ OI} = 21,750 - 500 \times 25 = 9,250$

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	$(88,000 \times 2 + 8,000 - 6,000) \times 2.50 = 445,000$
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