

**Note:**

1. Please do not change the order of the exam questions in this sheet.
2. Please do not delete the highlighted text (highlighted in green or yellow).

**I. Reading financial statements (~40%)**

To answer the following questions please consult the **consolidated** financial statements of Delivery Hero and Doordash for the fiscal year 2023.

1. Delivery Hero is a firm that is headquartered in Germany and listed on the Frankfurt stock exchange (Germany). Doordash is a firm headquartered in the United States and listed on the New York stock exchange (United States). Based on this information, are Delivery Hero and Doordash required to apply the same accounting standards? Briefly explain your answer (max 50 words).

**YOUR ANSWER TO QUESTION 1:**

No, Delivery Hero uses standard that are required by Germany Law (IFRS for EU) and Doordash uses standard required by US Law (US GAAP).

2. Determine the accounting equations for **Delivery Hero** and **Doordash** as of 31. December 2023. Include the reporting currency in the equations.

**YOUR ANSWER TO QUESTION 2**

Delivery Hero: assets (10,487.8 mil \$) = equity (1,649.4 mil \$) + liabilities (non-current 5894.1 + current 2944.4 mil \$ = 8,838.5 mil \$)

Doordash: assets (9,789 mil EUR) = equity (6,768 mil EUR) + liabilities (3,021 mil EUR)

3. Determine the profit margin for **Delivery Hero** for the fiscal year 2023. State your results in percentage values rounded to two decimal places (e.g., 1.23%).

**YOUR ANSWER TO QUESTION 3:**

Delivery Hero:  $-2304.7 \text{ mil EUR} / 9941.9 \text{ mil EUR} * 100\% = -23.18\%$

4. Briefly interpret the profit margin of **Delivery Hero** that you determined in question 3 (max 30 words).

**YOUR ANSWER TO QUESTION 4:**

Profit margin of 23.18% means that for every 100 dollars it makes, it has to pay 23.18 dollars in addition (makes a loss, not a profit).

5. Briefly explain (by calculating the current ratio for 2022 and 2023) why the following statement is true or false: “As evident from the change in **Delivery Hero**’s current ratio, the firm’s liquidity improved in 2023 as compared to 2022.”

**YOUR ANSWER TO QUESTION 5:**

Current ratio of Delivery Hero 2022:  $3528.8/2402.3 = 1.4689$

2023:  $2834.5/2944.4 = 0.9626$

The statement is false, because current ratio decreased, meaning changes in current liabilities outweighed changes in current assets, i.e. the position to pay out all its current liabilities by using all its current assets got worse.

6. Briefly explain the difference between “cash and cash equivalents” and “accounts receivable” (max 50 words).

**YOUR ANSWER TO QUESTION 6:**

Cash and cash equivalents are current assets which can be regarded as most liquid assets company owns, cash equivalents can be easily converted to cash and thus this asset shows ability to pay out liabilities, investments, etc. Accounts receivables are however current asset, which will be received as cash in the future and are not as liquid as cash (company expects to collect from debtors, but it might not even receive whole amount for example).

7. Please explain why you agree or disagree with the following statement (max 50 words): “The numbers reported in financial statements can always be considered as reflecting the true economic situation of the firm, if the auditor releases a clean audit statement for the financial statements.”

**YOUR ANSWER TO QUESTION 7:**

No, because even if audit verifies the statements, the company might still practice unethical, immoral, unfair practices and thus report its financial status/position wrongly while passing the audit (which is ultimately opinion).

**II. Recording business transactions with accrual accounting (~60%)****1. Journal entries (~45%)**

Toni, a trained physiotherapist, founds a sole proprietorship “Joints & Bones” (J&B) on September 01, 2024. Toni asks you to determine the journal entries for the following transactions from the perspective of J&B, applying accruals-based accounting and assuming that J&B closes its books on September 30, 2024, for the first time. J&B uses the straight-line depreciation method.

From the perspective of J&B, please determine all necessary journal entries for the month of September 2024. Use the templates for recording the journal entries along with the dates on which they need to be recorded.

1. On September 01, 2024, Toni founds J&B and makes an equity contribution of 20,000 EUR in cash.

**YOUR ANSWER TO QUESTION 1.1:**

		<b>Debit</b>	<b>Credit</b>
<b>Date</b>	<b>Account name</b>	<b>Amount [EUR]</b>	<b>Amount [EUR]</b>
01.09.2024	Share Capital		20 000
	Cash	20 000	

2. On September 01, 2024, J&B rents an apartment to open the physiotherapist practice. J&B agrees with the landlord to pay the rent at the end of each month. However, on September 30, Toni cannot find the bank account number of the landlord and J&B cannot transfer the rent of 1,200 EUR for the month of September.

**YOUR ANSWER TO QUESTION 1.2:**

		<b>Debit</b>	<b>Credit</b>
<b>Date</b>	<b>Account name</b>	<b>Amount [EUR]</b>	<b>Amount [EUR]</b>
30.09.2024	Accounts payable		1 200
	Rent expense	1 200	

3. On September 01, 2024, J&B purchases an office desk, office chair, lamps, patient table and other equipment for a total of 5,000 EUR (directly paid in cash). J&B expects that all of the equipment items are useful for 5 years and that their residual value will amount to 800 EUR.

**YOUR ANSWER TO QUESTION 1.3:**

		<b>Debit</b>	<b>Credit</b>
<b>Date</b>	<b>Account name</b>	<b>Amount [EUR]</b>	<b>Amount [EUR]</b>
01.09.2024	Equipment	5 000	

	Cash		5 000
30.09.2024	Equipment – Accumulated depreciation		70
	Depreciation expense	70	

4. On September 01, 2024, J&B signs a contract with the local utility provider. The contract requires J&B to pay 2,100 EUR on September 01, 2024 (which J&B does). At the end of each month, J&B receives information about the energy consumption in the respective month. On September 30, 2024, J&B receives information that it consumed energy in the amount of 300 EUR.

**YOUR ANSWER TO QUESTION 1.4:**

		<b>Debit</b>	<b>Credit</b>
<b>Date</b>	<b>Account name</b>	<b>Amount [EUR]</b>	<b>Amount [EUR]</b>
01.09.2024	Prepaid expense (/ Prepaid utility)	2 100	
	Cash		2 100
30.09.2024	Utility expense	300	
	Prepaid expense (/ Prepaid utility)		300

5. On September 01, 2024, J&B signs a contract with Kurt, which allows Kurt to use J&B's office facilities in the evening hours for the next three months (from September 01 to November 30). In return, Kurt has to pay 600 EUR after three months, that is on November 30, 2024.

**YOUR ANSWER TO QUESTION 1.5:**

		<b>Debit</b>	<b>Credit</b>
<b>Date</b>	<b>Account name</b>	<b>Amount [EUR]</b>	<b>Amount [EUR]</b>
30.09.2024	Accounts receivable	200	
	Revenue		200

6. On September 02, 2024, a client requires acute treatment. On the same day, Toni charges the client 500 EUR for the treatment. The client pays the full amount of 500 EUR on September 14, 2024.

**YOUR ANSWER TO QUESTION 1.6:**

		<b>Debit</b>	<b>Credit</b>
<b>Date</b>	<b>Account name</b>	<b>Amount [EUR]</b>	<b>Amount [EUR]</b>
02.09.2024	Accounts receivable	500	
	Service revenue		500
14.09.2024	Cash	500	
	Accounts receivable		500

7. On September 06, 2024, a client purchases a clip card and pays 400 EUR. The clip card allows the client to request 10x30min of physiotherapy treatments from J&B. On September 18, 2024, the customer receives a 60-minute treatment and pays with the clip card.

**YOUR ANSWER TO QUESTION 1.7:**

		<b>Debit</b>	<b>Credit</b>
<b>Date</b>	<b>Account name</b>	<b>Amount [EUR]</b>	<b>Amount [EUR]</b>
06.09.2024	Cash	400	
	Unearned revenue		400
18.09.2024	Unearned revenue	80	
	Service revenue		80

8. On September 30, 2024, J&B pays Toni a salary of 2,000 EUR.

**YOUR ANSWER TO QUESTION 1.8:**

		<b>Debit</b>	<b>Credit</b>
<b>Date</b>	<b>Account name</b>	<b>Amount [EUR]</b>	<b>Amount [EUR]</b>
30.09.2024	Salary expense	2 000	
	Cash		2 000

**2. Trial balance (~15%)**

Your friend works for Bones & Joints, a large competitor of Joints & Bones, and set up the following trial balance for the year 2024. The reporting currency is EUR.

<b>Trial balance of Bones &amp; Joints (30 September, 2024)</b>		
<b>Account name</b>	<b>Debit</b>	<b>Credit</b>
Accounts receivable	200000	
Accumulated depreciation on PPE		100000
Bank loan		90000
Cash and cash equivalents	60000	
Depreciation expense		20000
Property plant and equipment (PPE)		450000
Rent expense		40000
Retained earnings (beginning of the year)		30000
Revenues	610000	
Share capital		200000
Salary expense		300000
Unearned revenues		40000
	<b>870000</b>	<b>1270000</b>

1. Determine all errors that your friend made when setting up this trial balance and set up the corrected trial balance.

**YOUR ANSWER TO QUESTION 2.1:**

Corrected trial balance should look like this:

<b>Trial balance of Bones &amp; Joints (30 September, 2024)</b>		
<b>Account name</b>	<b>Debit</b>	<b>Credit</b>
Cash	11,800	
Equipment	5,000	
Equipment – Accumulated depreciation		70
Accounts receivable	200	
Prepaid expenses	1800	
Share capital		20,000
Accounts payable		1,200
Unearned revenue		320
Revenues		780
Salary expenses	2,000	
Depreciation expenses	70	
Rent expenses	1,200	
Utility expenses	300	
<b>Total</b>	<b>22,370</b>	<b>22,370</b>

2. Please explain why you agree or disagree with the following statement (max 50 words): “From the accounts listed in the trial balance of Bones & Joints one can tell that the firm applies accrual accounting.”

**YOUR ANSWER TO QUESTION 2.2**

If one observes “Depreciation” in trial balance, one can be quite sure that firm applies accrual accounting as it would match expenses and revenues of a period (i.e. impact of a business event as it occurs, regardless of whether the transaction affected the cash).