



**Correction of the 2<sup>nd</sup> semester exam****Exercise 01:** Complete the sentences, using the following information:

- 1- A company's **financial year** does not have to begin on 1 January, like the calendar year. **1.5pt**
- 2- If an American company owns a company in Britain, this is a **subsidiary** **1.5pt**
- 3- Multinationals, with companies in lots of different countries, combine all their results in one set of **consolidated financial statements** . **1pt**
- 4- Every entry in a company's accounts must be **verifiable**: there must be a document available showing that it is true. **1pt**

**Exercise 02:** Complete the sentences below with the appropriate words: **05pts**

- 1- I'm an internal auditor. I **examine** **1pt** ...the company's accounts, to make sure that they are **accurate** **1pt** ..., and that they **comply** **1pt** ....with company policies and general accounting principles.
- 2- If the control systems aren't adequate, I make **recommendations** **1pt** concerning changes.
- 3- The external auditors check to see if transactions are being **recorded** correctly. **1pt**

**Exercise 03:** Read the profit and loss account for a UK company. Then say if the statements (sentences) below are true or false. All figures are pounds sterling. **10pts**

 <b>Paradigm Manufacturing</b>  <b>Profit and loss account for the year ended 31 March 20__.</b>			
Sales	900,000		
Cost of goods sold		560,000	
Selling and general expenses		120,000	
Depreciation		18,000	
Operating profit			202,000
Interest payable		15,000	
Pre-tax profit			187,000
Exceptional items*		57,000	
Corporation tax		60,000	
Profit after tax			70,000
Dividends		25,000	
Retained earnings			45,000

There are 100,000 ordinary shares. Earnings per share: 70 pence. Dividends per share: 25 pence.  
 \*This is for costs related to the closure of our offices in Stockholm.

- 1- The £120,000 for selling and general expenses includes the salaries of the sales force. **True 2pts**
- 2- The £18,000 for depreciation represents an actual amount of money paid out to suppliers. **False 2pts**
- 3- The company has a bank loan and/or is paying interest to holders of its bonds. **True 2pts**
- 4- £57,000 for exceptional items is probably paid out every year. **False. 2pts**
- 5- The company has paid out more to shareholders this year than it has kept for future investment and/or future payouts. **False 2pts**