



EBC*L Exam Paper Level A

Dear examinee,

Please complete all the spaces below. By signing this paper you confirm that you have completed the exam paper yourself and without assistance from any other person. You agree to have your data electronically recorded and processed and to electronic transmission of the results of your exam as well as further information regarding EBC*L certification.

These data are the basis for issuing your certificate. Please make sure you write legibly!

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Date of birth

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Date of exam

Signature

Please write your answers to the questions only on the blank sheets specifically provided for this purpose (not on the exam sheets with the questions). If you need additional paper, please ask your invigilator.

When you have finished, please put all the sheets (including the unused ones) in the envelope and hand them in.

Good luck!

KNOWLEDGE QUESTIONS (4 points per question)

	Points
1. How is the cash ratio calculated and what does it tell us?	
2. What does “profit/loss on ordinary activities” mean and how is it calculated?	
3. What are direct costs (prime costs)? Give two examples for a hairdressing salon.	
4. What formal criteria have to be met for a signature to be legally binding on a business?	
5. How is the return on equity calculated?	
6. What does the term “depreciation” mean, and how do you calculate depreciation?	
7. How does profit centre accounting differ from cost centre accounting?	
8. The most frequent legal form of business entity is the sole proprietorship. Please give 4 reasons why this legal form is chosen so frequently.	
9. How is the equity ratio calculated? What does this financial ratio tell us?	
10. What are current assets? Give two examples of current assets for a furniture retailer.	
11. What are variable costs? Give two examples of variable costs for a florist.	
12. What is the main advantage of the legal form “private limited company”? What are its drawbacks (please name 3 of them)?	
13. Is the cash flow normally higher or lower than the profit? Give reasons for your answer.	
14. Is it possible to withdraw a company’s equity capital immediately (in cash)? Give reasons for your answer.	
15. Why can financial accounting figures not be taken over unverified and unadjusted for cost accounting purposes? Give reasons for your answer.	
16. What does “joint general commercial power of attorney” mean?	

COMPREHENSION QUESTIONS (6 points per question)

Points
<p>17. A balance sheet shows a total of 300,000 euros on the asset side. On the equity and liabilities side you find borrowed capital in the amount of 280,000 euros. The borrowed capital consists of a long-term bank loan of 150,000 euros and 80,000 euros in provisions as well as 50,000 euros in short-term liabilities. The company's sales revenues amount to 1,000,000 euros.</p> <p>a) Calculate the company's equity ratio.</p> <p>b) Give your comment on this equity ratio and substantiate your answer.</p>
<p>18. Before the end of the year, a businessman plans to buy a company car that costs 24,000 euros.</p> <p>"This will reduce my profit for the year by 24,000 euros and save me a lot of tax."</p> <p>Please explain whether the businessman's assumption is correct or not and why.</p>
<p>19. A fitness centre has poor capacity utilisation during the summer months. Owing to its high fixed costs, this is a major problem:</p> <p>a) What are the likely fixed costs of a fitness centre?</p> <p>b) Should the fitness centre reduce its price below its long-term cost of sales (summer special) to improve capacity utilisation during the summer months? (Argue the case from a business management perspective.)</p> <p>c) If the fitness centre were to decide in favour of a price reduction, which negative effects could this have? (Give 2 examples.)</p>
<p>20. Suppose you are a partner in a general partnership. This partnership goes bankrupt. As you are the only one of the four partners in this general partnership who has considerable personal wealth, the creditors are now seeking to collect their claims from you alone.</p> <p>Will they be successful? Substantiate your answer.</p>

CASE STUDY (12 points)

21. A company's P&L account (in account form) looks as follows:

P&L Account

Cost of sales	26.000.000	Sales revenues	50.000.000
Rental costs	5.000.000	Income from interest and securities	4.000.000
Personnel expenses	15.000.000	Extraordinary income	3.000.000
Advertising costs	1.000.000		
Depreciation	4.000.000		
Interest paid	2.000.000		
Extraordinary expenses	1.000.000		
Profit	3.000.000		
	57.000.000		57.000.000

Please calculate:

- the operating result
- the profit/loss on ordinary activities
- the cash flow
- What conclusions can be drawn from these key figures?

Points

Write down the full arithmetic calculation for each task.

Sample exam 2008 / 07