EX 6. Costs & Expenses – Exercises

1. A company purchases goods for resale during the year for €250,000. The value of the company’s inventory at the beginning and end of the year is €50,000 and €70,000 respectively. Calculate the cost of goods sold for the year.

2. Explain the difference between a defined benefit pension plan and a defined contribution pension plan.

3. A company has introduced a stock option scheme for its top 10 managers. The managers can earn 1,000 options each if they stay with the company for three years. All managers are expected to stay with the company. The fair value of the options at the grant date is €50. Calculate the expense the company will incur during each of the years of the vesting period.

4. A company has 5,000 employees entitled to 20 days of paid vacation a year. At the year end the company has calculated that 500 employees have an average of 10 days each of unused vacation. The cost to the company of a day’s vacation pay is €100. Calculate the liability the company should record in the statement of financial position.