**Decision-making: methods and tools**

Exercise

The 2014 Balance Sheet of the Setax Company is reported in the following table

|  |  |  |  |
| --- | --- | --- | --- |
| **Non current assets** | **25.000** | **Equity** | **19.400** |
| Property, Plant and Equipment | 14.000 | Issued capital | 15.000 |
| Investment property | 2.000 | Share premium accounts | 0 |
| Intangible assets with indefinite useful life  | 3.000 | Revaluation Reserve | 1.000 |
| Intangible assets with definite useful life  | 3.000 | Other reserves | -- |
| Holdings | 1.500 | Retained earnings | -- |
| Other Financial activities | 1.500 | Net Income/Loss | 3.400 |
| **Current assets** | **10.000** | **Non current liabilities** | **10.200** |
| Receivables and others | 3.600 | Debt in issue | 2.500 |
| Debt to bank | 4.000 |
| Inventories | 1.400 | Other non current financial liabilities | -- |
| Work in progress on ordination | -- | Risk and charges | 1.300 |
| Funds to personnel | 2.400 |
| Current financial activities | -- | **Current Liabilities** | **5.400** |
| Debt in issue | -- |
| Cash and cash equivalent | 5.000 | Debt to bank | 3.000 |
| **Discontinued operations** | **0** | Debt to suppliers | 2.400 |
|  |  | Other financial current liabilities | -- |
| Tax debt | -- |
| Other current liabilities | -- |
| **Liabilities related to discontinued operations** | **0** |
| **TOTAL ASSETS** | **35.000** | **TOTAL LIABILITIES** | **35.000** |

By reading the Notes to the Financial Statement, you also know that:

1. The item *Property, Plant and Equipment* refers to two plants:
* Plant 1, value of 10.000 k€ at the end of 2014 and residual useful life of 10 years
* Plant 2, value of 4.000 k€ at the of 2014 and residual useful life of 2 years. The Revaluation Reserve refers to this plant.
1. The item *Intangible Asset with definite useful life* refers to a patent, with a residual useful life of 6 years
2. The item *Current debt to bank* refers to a single debt started at the end of May 2014 (31/05/2014) that will last 12 months. The interest rate is 6% and borrowing costs are paid according to the accrual accounting principle.
3. The item *Non-current debt to bank* refers to a single debt started in January 2013 (01/01/2013) that will last 5 years. The annual interest rate is 6% and borrowing costs are paid according to the accrual accounting principle.
4. *Debts to supplier* accounted at the of 2014 have an average time of payment of 3 months and they will all paid in January 2015.
5. *Non-current debt in issue* will last till 2019. The annual interest rate is 6% and borrowing costs are paid according to the accrual accounting principle.

In 2015, the following events occurred:

1. Distribution of the 30% of the 2014 Net Income
2. Selling of finished goods, realizing 25.000 k€ revenues. The average time to collect receivables is 3 months
3. Cost of personnel equal to 7.000 k€. A related 1.800 k€ is stored in Fund to Personell.
4. Purchase of raw material (4.500 k€). The 75% is paid by cash, while the remaining part will be paid in 2016.
5. The plant 1 (value 10.000 k€ at the end of 2014) is sold after being depreciated. The price of the plant, equal to its fair value, is 11.000 k€. The 80% of this amount is paid by cash by the buyer, while the remaining part will be paid in 2016.
6. Purchase, at the end of May 2015, of a new plant (value 16.000 k€). To buy the new plant, at the end of May 2015, the Company started a debt (equal to the price of the plant) that will last 1 year. Annual interest rate equal to 6%. Borrowing costs will be paid at the end of the debt. Following the accrual accounting principle, borrowing costs related to 2015 are accounted in the item *Other current financial liabilities*. The new plant will be depreciated starting from 2016.
7. Financial income of 700 k€.
8. With respect to a credit accounted for 1.600 k€, the Company received only 1.000 k€. The other receivables related to 2014 are all collected.
9. The patent is sold in November 2015 at a price of 3.500 k€ after being depreciated.

Two Impairment tests have been carried out. The results of the tests reported:

1. A loss of value (600 k€) for the plant 2, at the beginning of 2015
2. A loss of value (300 k€) for the item *Intangible asset with indefinite useful life*, at the end of 2015

Please, considering you have to provide the 2015 Balance Sheet, account for the event described above.