

Course No: ACNE 2304  
 Course Title: Intermediate  
 Accounting 2  
 Date: 16/03/2017  
 No. of Questions: (4)  
 Time: 1hours  
 Using Calculator (Yes)

University of Palestine



First Med Exam  
 Second Semester  
 2016/2017

Instructor Name: \_\_\_\_\_  
 Student No.: \_\_\_\_\_  
 Student Name: \_\_\_\_\_  
 College Name: Business & Finance  
 Dep. / Specialist: Accounting  
 Using Dictionary (No)

**Answer all the following questions**

**Question One: (3 Marks)**

Choose what are True and what are False from the following

1	( )	Convertible debt is accounted for as a compound instrument. Companies use the “with-and-without” method to value compound instruments.
2	( )	Ordinary shares include an option for the holder to convert preference shares into a fixed number of ordinary shares.
3	( )	Corporations purchase their outstanding shares to increase earnings per share and return on equity
4	( )	Ordinary shares are created by contract, when shareholders’ sacrifice certain rights in return for other rights or privileges, usually dividend preference
5	( )	Costs of Issuing Shares should reduce the proceeds received from the sale of the shares
6	( )	In Induced Conversion Issuer wishes to encourage prompt conversion. so he offers additional consideration

**Question Two: (3Marks)**

**Special characteristics of the corporate form**

- 1 .....
- 2 .....
- 3 .....

**Accounting problems related to shares issuance**

- 1 .....
- 2 .....
- 3 .....

**Question Three: (8Marks)**

A- Sand winder Corporation issued 1000 shares of \$10 par value ordinary shares and 200 shares of \$50 par value preference shares for a lump sum of \$30000. The ordinary shares have a market value of \$30 per share, and the preference shares have a market value of \$80 per share.

**Required**

You are required to journalize this transactions using Proportional Method

**B-**Pacific Company issued 100,000 shares of \$1 par value ordinary shares at a price of \$10 per share. In addition, it has retained earnings of \$300,000. On January 20, 2011, Pacific acquires 10,000 of its shares at \$11 per share. It now sells 1,000 shares at \$15 per share on March 10.

**Required**

You are required to journalize transactions

**Question Four: (6Marks)**

A- Bradelly Group (DEU) issues 2,000 convertible bonds at the beginning of 2012. The bonds have a four-year term with a stated rate of interest of 6 percent, and are issued at par with a face value of €1,000 per bond (the total proceeds received from issuance of the bonds are €2,000,000). Interest is payable annually at December 31. Each bond is convertible into 250 ordinary shares with a par value of €1. The market rate of interest on similar non-convertible debt is 9 percent

Present value for \$1 after 4 years is 0.70843

Present value for 4 payments each payment = \$1 is 3.23972

**Required**

You are required to journalize transactions related to the purchases and sales of Treasury Shares

**Good Luck**