Course No:
Course Title: Intermediate Accounting 2
Date: 30/05/2018
No. of Questions: (5)
Time: 2 hours
Using Calculator (Yes)

University of Palestine

Final Exam
Second Semester
2017/2018

Instructor Name: ______________
Student No.: _________________
Student Name: _______________
College Name: Business & Finance
Dep. / Specialist: Accounting
Using Dictionary (No)

<u>Answer all the following questions</u>

Question One: (2.5 Marks)

Choose what are True and what are False from the following

1	**( )**	Errors are considered an accounting change
2	**( )**	Adoption of a new policy in recognition of events that have occurred for the first time or that were previously immaterial is an accounting change
3	**( )**	Preference shares represent the residual corporate interest.
4	**( )**	High par values help companies avoid a contingent liability
5	**( )**	Convertible debt is accounted for as a compound instrument. Companies use the "with-and-without" method to value compound instruments

Question Tow: (7.5Marks)

1- For a Finance lease, the IASB has identified four criteria

1 …………………………………………………………………………………..

2……………………………………………………………………………………

3……………………………………………………………………………………

4……………………………………………………………………………………

2-Implementation of the with-and-without (Accounting for Convertible) Debt approach is done in three steps

1 …………………………………………………………………………………..

2……………………………………………………………………………………

3……………………………………………………………………………………

3- Reporting a Change in policy, Major disclosure requirements are

1 …………………………………………………………………………………..

2……………………………………………………………………………………

3……………………………………………………………………………………

4……………………………………………………………………………………

Question Three: (13Marks)

A-On January1, 2016, Leganes Company issued 50,000 shares of $10 par value ordinary shares at a price of $20 per share. In addition, it has retained earnings of $500,000. On March 20, 2017, Leganes Company acquired 10,000 of its shares at $15 per share. . On December 2016Leganes Company sold 1,000 shares at $20 per share.

Required: You are required

1- to journalize transactions
2- show the owners equity after realizing all these transactions

B-Zidane Co.. transferred to shareholders some of its investments (held-for-trading) in securities costing $1,250,000 by declaring a property dividend on December 31, 2016, to be distributed on March 30 2017,shares were of recorded on January 15, 2017. At the date of declaration the securities have a fair value of $1,000,000.

Required:

You are required to journalize transactions

Question Four: (13Marks)

A- Modrich Company issues 2,000 convertible preference shares that have a par value of $1 per share. The shares were issued at a price of $200 per share. Later each share is subsequently converted into 30 each ordinary shares ($2 par value) that have a fair value of $450,000. At the conversion date shares were converted.

Required:

You are required to journalize transactions

B – Betis Company purchased $100,000 of 8% bonds of Malaga Corporation on January 1, 2015, at a discount, paying $95,000. The bonds mature January 1, 2020 and yield 10%; interest is payable each July 1 and December 31. On October 1, 2017Betis Company sells its investment in Malagabonds, at 98000 plus accrued interest.

Required:

You are required to journalize transactions during the period 2015-2017

Question Five: (14Marks)

A- partial trial balance of Carvajal Corporation is as follows on December 31, 2010.

	Dr.	Cr.
Utilities	3000	
Insurance	6000	
Rent	5000	
Salaries	12000	

After closing the books the company has discovered the following errors

1- Utilities of the year 4000

2- Insurance expense was paid for three years

3- Rent of the year is 7000

4- There is a prepaid salaries of 2000

Required

You are required to journalize the errors correction entries

.

B-Marcelo Leasing Company signs an agreement on January 1, 2011, to lease equipment to Asensio Company. The following information relates to this agreement

1. The term of the non-cancelable lease is 6 years with no renewal option. The equipment has an estimated economic life of 6 years.
2. The cost and fair value of the asset at January 1, 2010, is $343,000.
3. The asset will revert to the lessor at the end of the lease term, at which time the asset is expected to have a residual value of $61,071, none of which is guaranteed.
4. Marcelo Company assumes direct responsibility for all executory costs.

The agreement requires equal annual rental payments, beginning on January 1, 2011. Assuming the lessor desires a 10% rate of return on its investment,

Required

You are required to calculate the amount of the annual rental payment required.

Good Luck