Course No: ACNE 4320 Course Title: International Accounting Date: ---/04/2018 No. of Questions: (3) Time: 1 hour Using Calculator (yes)	University of Palestine Second Mid-term Exam 2nd Semester 2017/2018 Total Grade: 15	Instructor Name: Dr. Khaled Eissa Student No.: ____________________ Student Name: ____________________ College Name: Business Administration Dep. / Specialist: Accounting Using Dictionary (No)

المطلوب الإجابة على السؤال الأول والثاني فقط
الطلاب المعتذرين عن النصفي الأول الإجابة على السؤال الثاني والثالث فقط

Question 1:

The following accounts are denominated in pesos as of December 31, 2017. For reporting purposes, these amounts need to be stated in U.S. dollars. For each balance, indicate the exchange rate that would be used if a translation is made under the current rate method. Then, again for each account, provide the exchange rate that would be necessary if a remeasurement is being made using the temporal method. The company was started in 2006. The buildings were acquired in 2008 and the patents in 2009.

	Translation adjustment	Remeasurment
Accounts payable		
Accounts receivable		
Accumulated depreciation		
Advertising expense		
Amortization expense (patents)		
Buildings		
Cash		
Common stock		
Depreciation expense		
Dividends paid (1/10/2017)		
Notes payable – due in 2020		
Patents (net)		
Salary expense		
Sales		

Exchange rates for 1 peso are as follows:

2006	1 peso = $0.28
2008	1 = 0.26
2009	1 = 0.25
January 1, 2017	1 = 0.24
April 1, 2017	1 = 0.23
July 1, 2017	1 = 0.22
October 1, 2017	1 = 0.20
December 31, 2017	1 = 0.16
Average for 2017	1 = 0.19

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Question 2:

Fenwicke Company began operating a subsidiary in a foreign country on January 1, 2017, by acquiring all of its common stock for LCU 40,000, which was equal to fair value. This subsidiary immediately borrowed LCU 100,000 on a five-year note with 10 percent interest payable annually beginning on January 1, 2018. The subsidiary then purchased for LCU 140,000 a building that had a 10-year anticipated life and no salvage value and is to be depreciated using the straight-line method. The subsidiary rents the building for three years to a group of local doctors for LCU 5,000 per month. By year-end, payments totaling LCU 50,000 had been received. On October 1, LCU 4,000 was paid for a repair made on that date. The subsidiary transferred a cash dividend of LCU 5,000 back to Fenwicke on December 31, 2017. The functional currency for the subsidiary is the LCU. Currency exchange rates for 1 LCU follow:

January 1, 2017	$2.00 =	LCU 1
October 1, 2017	1.85 =	1
Average for 2017	1.90 =	1
December 31, 2017	1.80 =	1

Required:

Prepare an income statement, statement of retained earnings, and balance sheet for this subsidiary in LCU and then translate these amounts into U.S. dollars.

Question 3: (خاص بالطلاب المعتذرين عن النصفي الأول)

Based on past experience, Leickner Company expects to purchase raw materials from a foreign supplier at a cost of 1,000,000 marks on March 15, 2018. To hedge this forecasted transaction, the company acquires a three-month call option to purchase 1,000,000 marks on December 15, 2017. Leickner selects a strike price of $0.58 per mark, paying a premium of $0.005 per unit, when the spot rate is $0.58. The spot rate increases to $0.584 at December 31, 2017, causing the fair value of the option to increase to $8,000. By March 15, 2018, when the raw materials are purchased, the spot rate has climbed to $0.59, resulting in a fair value for the option of $10,000.

Required:

a) Prepare all journal entries for the option hedge of a forecasted transaction and for the purchase of raw materials, assuming that December 31 is Leickner's year-end and that the raw materials are included in the cost of goods sold in 2018.
b) What is the overall impact on net income over the two accounting periods?
c) What is the net cash outflow to acquire the raw materials?

<<< Good Luck >>>