

Course No: ACC 4318
Course Title: Advanced Accounting
Date: 8/8/2012
No. of Questions: (5)
Time: 2 hour
Using Calculator (yes)

University of Palestine



Final Exam
3rd Semester 2011/2012
Total Grade: 100

Instructor Name: Dr. Khaled Eissa

Student No.: _____

Student Name: _____

College Name: Business Administration

Dep. / Specialist: Accounting

Using Dictionary (No)

Question 1:

Ryndell Inc. **acquired** 100% of Hagy Inc.'s outstanding common stock at a cost of \$900,000 on 31/12/2011. The analysis of Ryndell investment account by the individual components of the major conceptual elements as of the acquisition date is as follows:

Book value element:	
Common Stock	\$ 300,000
Retained Earnings	270,000
Under or (over) valuation of net assets element:	
Inventory	15,000
Land	90,000
Equipment	150,000
Patent	(45,000)
Goodwill element	120,000
Cost	<u>\$ 900,000</u>

Each company's financial statements for the year ended 31/12/2011 immediately after the acquisition are as follows:

	Ryndell	Hagy
Income statement (2011)		
Sales	7,500,000	1,500,000
Cost of Sales	(4,200,000)	(750,000)
Expenses	(2,580,000)	(606,000)
Net Income	720,000	144,000
Balance Sheet (as of 31/12/2010)		
Cash	300,000	60,000
Accounts Receivable	600,000	165,000
Inventory	1,050,000	240,000
Investment in Hagy Company	900,000	
Land	1,200,000	210,000
Building & Equipment	2,400,000	612,000
Accumulated Depreciation	(450,000)	(132,000)
Patent		45,000
Total Assets	6,000,000	1,200,000
Payables and accruals	750,000	180,000
Long-term debt	3,000,000	450,000
Ryndell Company:		
Common Stock	900,000	
Retained Earnings	1,350,000	
Hagy Company:		
Common Stock		300,000
Retained Earnings		270,000
Total Liabilities & equity	6,000,000	1,200,000

- Required:**
1. Prepare all consolidation entries as of 31/12/2011
 2. Prepare a consolidation worksheet as of 31/12/2011

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Question 2:

On 31/3/2012, Parent Inc. **acquired** 75% of Subsidiary Inc.'s outstanding common stock for cash. Both companies have calendar year-ends. Data for each company pertaining to its own separate operations follow:

	<u>Parent</u>	<u>Subsidiary</u>
Net Income:		
3 months ended 31/3/2012	\$ 150,000	\$ 100,000
9 months ended 31/12/2012	300,000*	200,000
	<u>450,000</u>	<u>300,000</u>
Dividend Declared:		
3 months ended 31/3/2012	75,000	30,000
9 months ended 31/12/2012	150,000	90,000
	<u>225,000</u>	<u>120,000</u>
Amortization of cost in excess of book value recorded by Palm for 2012	\$ 15,000	

* Excludes any amounts relating to Subsidiary

Required:

1. Determine the consolidated net income for 2012 that accrues to the controlling interest.
2. Determine the consolidated dividends declared for 2012.
3. Determine the investment income recorded in the parent's separate income statement for 2012 under the equity method.

Question 3:

P-tom Inc. **acquired** 100% of the assets and assumed all of the liabilities of S-tom Inc. for 20,000 shares of its common stock (\$10 par value), which was selling for \$140 per share at the acquisition date. The acquired business is to be accounted for as a division with a decentralized accounting system. S-tom assets and liabilities as of acquisition date are as follows:

	<u>Book Value</u>	<u>Current Value</u>
Cash	100,000	100,000
Accounts Receivables	320,000	320,000
Inventory	280,000	180,000
Land	300,000	400,000
Buildings and Equipment	3,500,000	2,200,000
Accumulated Depreciation	(1,500,000)	
Total Assets	<u>3,000,000</u>	<u>3,200,000</u>
Payables and Accruals	400,000	400,000
Long-term debt	600,000	600,000
Stockholders' Equity	2,000,000	2,200,000
Total Liabilities and Equity	<u>3,000,000</u>	<u>3,200,000</u>

Required:

Prepare the entry to record the acquisition on the books of both the home office and the newly formed division

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Question 4:

On 1/1/2010, Pakry Inc. **acquired** 100% of Sakry Inc.'s outstanding common stock at a cost of \$ 100,000 for cash. The analysis of Pakry investment in Sakry by the individual components of the major conceptual elements as of the acquisition date follows:

		Remaining Life
Book value element:		
Common Stock	\$ 25,000	
Retained Earnings	15,000	
Under or (over) valuation of net assets element:		
Inventory	2,500	3 months
Land	25,000	Indefinite
Building	22,500	15 years
Goodwill element	10,000	20 years
Cost	<u>100,000</u>	

Sakry declared net income \$10,000, and dividend \$2,500 for the year 2010. And the Pakry uses the equity method of accounting.

- Required:**
1. Prepare the journal entries in Pakry books for its investments in the subsidiary for 2010.
 2. Prepare an analysis of the investment account by the components of the major conceptual element as of 31/12/2010
 3. Prepare all consolidation entries as of 31/12/2010.

Question 5:

The following six accounts appear on the separate company financial statements of a parent and its 100%-owned subsidiary (created in 2005) at the end of 2011:

	Pad	Sad
Equity in net income (of subsidiary)	10,000	
Investment in Subsidiary	150,000	
Common Stock	12,500	5,000
Additional paid-in capital	750,000	75,000
Retained Earnings	150,000	70,000
Dividend declared	(16,000)	(3,000)
Additional information:		
Retained Earnings at 1/1/2011	125,000	

- Required:**
1. What consolidation entries are required at 31/12/2011?
 2. What is the consolidated retained earnings amount at 31/12/2011?
 3. What amount is reported as dividends in the consolidated statement of retained earnings for 2011?
 4. What is the consolidated net income for 2011?

End of Questions

Good Luck