Course No: ACC 4319 Course Title: International Accounting Date: 08/01/2012 No. of Questions: (6) Time: 2 hour Using Calculator (yes)	University of Palestine Final Exam 1st 2011/2012 Total Grade: 60	Instructor Name: Dr. Khaled Eissa Student No.: ____________________ Student Name: ____________________ College Name: Business Administration Dep. / Specialist: Accounting Using Dictionary (No)

Question 1:

GMC Corporation (a U.S. - based company) acquired 100% of a Swiss company for 4.1 million Swiss francs on December 20, 2010. At that date of acquisition, the exchange rate was $0.70 per franc. The acquisition price is attributable to the following assets and liabilities denominated in Swiss francs:

Cash	500,000
Inventory	1,000,000
Fixed Assets	3,500,000
Notes Payable	(900,000)

GMC Corporation prepares consolidated financial statements on December 31, 2010. By that Date, the Swiss franc appreciated to $0.75. Because of the year-end holidays, no transactions took place between the date of acquisition and the end of the year.

Required:

Determine the re-measurement gain or loss to be reported in GMC year 2010 consolidated income assuming that the U.S. dollar is the functional currency?

Question 2:

The Sunrise Company (a U.S. company) sells parts to a foreign customer on December 1, 2008, with payment of 10,000 Dirham to be received on March 1, 2009. Sunrise enters into a forward contract on December1, 2008 to sell 10,000 Dirham on March 1, 2009. Relevant exchange rates for the dirham on various dates are as follows:

Date	Spot rate	Forward rate (to March 1, 2009)
December 1, 2008	$1.00	$ 1.03
December 31, 2008	1.03	1.06
March 1, 2009	1.08	

Sunrise's incremental borrowing rate is 12%. The present value factor for two months at an annual interest rate of 12% (1% per month) is 0.9803. Sunrise must close its books and prepare financial statements at December 31, 2008.

Required:

1. Assuming that Sunrise designates the forward contract as a fair value hedge of foreign currency receivables, prepare journal entries for these transactions in US dollars.
2. What is the impact on net income for 2008 & 2009?

Question 3:

In 2009, in a project to develop product (A), Royal company incurred research and development costs totaling $23 million. Royal is able to clearly distinguish the research phase from the development phase of the project. The amounts of the research phase costs are 15 million, and the rest considered development cost. All of the IAS 38 criteria have been met for recognition of the development cost as an asset. Product (A) was brought to market in 2010 and is expected to be marketable for 8 years

Required:

Determine the impact on 2009, 2010 income related to research and development costs under IFRS and under U.S. GAAP

Question 4:

On December 1, 2006, Rashid Company purchases inventory from a foreign supplier for 25,000 rubel. Payment will be made in 90 days after Rashid has sold this merchandise. The following exchange rates for 1 rubel apply:

Date	U.S. Dollar per Rubel
December 1, 2006	$1.87
December 31, 2006	1.82
March 1, 2007	1.91

Required:

Prepare all journal entries for Rashid in connection with the purchase and payment.

Question 5:

Radwan Company's Palestinian subsidiary for U.S. Company, reported the following amounts in Palestinian Lire (PL) on its December 31, 2010, balance sheet:

Equipment	PL 500,000
Accumulated depreciation (straight line)	PL 160,000

Additional information related to the equipment is as follows:

Date	Amount Purchased	Useful life	US$/PL Exchange rate
1/1/2007	PL 300,000	10 years	PL 1 = $ 0.50
1/1/2009	PL 200,000	10 years	PL 1 = $ 0.40

A U.S. dollar exchange rate for the Palestinian Lire in 31/12/2010 is $0.25.

Required:

Assume the Palestinian subsidiary primarily uses PL in conducting its operations. Determine the amounts at which the Palestinian Subsidiary equipment and accumulated depreciation should be reported on Radwan Company's December 31, 2010, consolidated balance sheet.

Question 6:

Palsm Corporation purchased equipment at the beginning of 2007 at a cost of $50,000 with an expected useful life of 10 years and no residual value. At December 31, 2009 the company develops the following estimates related to that equipment:

Expected future cash flows	37,500
Present value of expected future cash flow	27,500
Selling price	35,000
Cost of disposal	3,500

Required:

Determine the impairment loss and the carrying amount of the equipment in 31/12/2009 according to IAS 36.

End of Questions

Good Luck