Course No: ACC 4319 **Course Title: International Accounting** **Date: 07/01/2014** **No. of Questions: (4)** **Time: 2 hour** **Using Calculator (yes)**	**University of Palestine** **Final Exam** **1st Semester 2013/2014** **Total Grade: 60**	**Instructor Name: Dr. Khaled Eissa** **Student No.:** ____________________ **Student Name:** ____________________ **College Name: Business Administration** **Dep. / Specialist: Accounting** **Using Dictionary (No)**

Question 1:

Livingston Company is a wholly owned subsidiary of Rose Corporation. Livingston operates in a foreign country with financial statements recorded in goghs (GH), the company's functional currency. Financial statements for the year of 2011 are as follows:

Income Statement For Year Ending December 31, 2011	
Sales	GU 270,000
Cost of goods sold	(155,000)
Gross profit	115,000
Less: Operating expenses	(54,000)
Gain on sale of equipment	10,000
Net Income	GH 71,000

Statement of Retained Earnings For Year Ending December 31, 2011	
Retained Earnings, 1/1/2011	GH 216,000
Net Income	71,000
Less: Dividend paid	(26,000)
Retained Earnings, 31/12/2011	GH 261,000

Balance Sheet December 31, 2011	
Assets:	
Cash	GH 44,000
Receivables	116,000
Inventory	58,000
Fixed Assets (net)	339,000
Total Assets	GH 557,000
Liabilities & Equities:	
Liabilities	GH 176,000
Common Stock	120,000
Retained Earnings, 31/12/2011	261,000
Total Liabilities & Equities	GH 557,000

Additional Information

- The common stock was issued in 2004 when the exchange rate was $1.00 = 0.48 GH; fixed assets were acquired in 2005 when the rate was $1.00 = 0.50 GH.
- As of January 1, 2011, the Retained Earnings balance was translated as $395,000.

- The currency exchange rates for $1 for the current year follow:

January, 2011	0.60 GH
April 1, 2011	0.62
September 1, 2011	0.58
December 31, 2011	0.65
Weighted average rate for 2011	0.63

Required:

Translate the foreign currency statements into the parent's reporting currency, the U.S. dollar

Question 2:

Farah Company Inc. begins operations on January 1, 2012. The company's unadjusted financial statements for the year ended December 31, 2012, Appear as follows:

Balance Sheets	**1/1/2012**	**31/12/2012**
Cash & receivables	$ 50,000	$ 87,500
Fixed Assets, net	125,000	112,500
Total	175,000	200,000
Payables	37,500	37,500
Contributed capital	137,500	137,500
Retained earnings	-	25,000
Total	$ 175,000	$ 200,000
Income Statement, 2010		
Revenues	$ 125,000	
Depreciation	(12,500)	
Other expenses	(87,500)	
Net Income	$ 25,000	

Revenues and expenses occur evenly throughout the year, revenues and other expenses are realized in terms of monetary assets (cash & receivables). General Price indexes for 2012 are as follows:

1/1/2012	100
Average for 2012	120
31/12/2012	150

Required:

a. Calculate Farah Company's 2012 purchasing power gain or loss on net monetary items.

b. Make the necessary entry for GPP adjustments.

c. Prepare Restated balance sheet as in Dec. 31, 2012

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Question 3:

Ecru Company has identified five industry segments: plastics, metals, lumber, paper, and finance. It appropriately consolidated each of these segments in producing its annual financial statements. Information describing each segment (in thousands) follows:

	Plastics	Metals	Lumber	Paper	Finance
Sales to outside parties	$6,319	$2,144	$636	$347	0
Intersegment sales	106	131	96	108	0
Interest income from outside parties	0	19	6	0	$27
Interest income from intersegment loans	0	0	0	0	159
Operating expenses	3,914	1,612	916	579	16
Interest Expense	61	16	51	31	87
Tangible Assets	1,291	2,986	314	561	104
Intangible Assets	72	361	0	48	0
Intersegment Loans	0	0	0	0	664

Required:

a. Perform testing procedures to determine Ecru's reportable operating segments.
b. What is the net income of unreportable segments

Question 4:

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, 2012. To hedge this forecasted transaction, the company acquires a three-month call option to purchase 1,000,000 marks on December 15, 2011. 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, 2011, causing the fair value of the option to increase to $8,000. By March 15, 2012, 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 2012.
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?

End of Questions

Good Luck