

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.

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- 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	

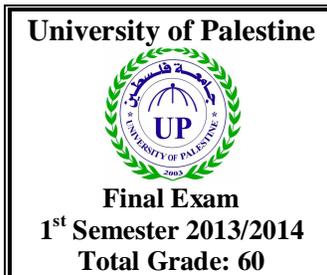
Revenues and expenses occur evenly throughout the year, revenues and other expenses are realized in terms of monetary assets (cash & receivables). General Price indexes for 2012 are as follows:

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