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Using Calculator (yes)

University of Palestine

Mid-term Exam
1st Semester 2014/2015
Total Grade: 20

Instructor Name: Dr. Khaled Eissa
Student No.: ____________________
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College Name: Business Administration
Dep. / Specialist: Accounting
Using Dictionary (No)

Question 1:

Tiberand, Inc., sold $150,000 in inventory to Schilling Company during 2010 for $225,000. Schilling resold $105,000 of this merchandise in 2010 with the remainder to be disposed of during 2011. Assuming that Tiberand owns 25% of Schilling and applies the equity method.

What journal entry is recorded at the end of 2010 to defer the unrealized gross profit?

Question 2:

On January 3, 2011, Ruark Corporation acquired 40 percent of the outstanding common stock of Batson Company for $990,000. This acquisition gave Haskins the ability to exercise significant influence over the investee. The book value of the acquired shares was $790,000. Any excess cost over the underlying book value was assigned to a patent that was undervalued on Clem's balance sheet. This patent has a remaining useful life of 10 years. For the year ended December 31, 2011, Clem reported net income of $260,000 and paid cash dividends of $80,000.

At December 31, 2011, what should Haskins report as its investment in Clem under the equity method?

Question 3:

The following book and fair values were available for Westmont Company as of March 1.

	Book value	Fair Value
Inventory	$630,000	600,000
Land	750,000	990,000
Buildings	1,700,000	2,000,000
Customer relationships	0	800,000
Accounts payable	(80,000)	(80,000)
Common stock	(2,000,000)	
Additional paid-in capital	(500,000)	
Retained earnings 1/1	(360,000)	
Revenues	(420,000)	
Expenses	280,000	

Arturo Company pays $4,000,000 cash and issues 20,000 shares of its $2 par value common stock (fair value of $50 per share) for all of Westmont's common stock in a merger, after which Westmont will cease to exist as a separate entity. Stock issue costs amount to $25,000 and Arturo pays $42,000 for legal fees to complete the transaction.

Prepare Arturo's journal entry to record its acquisition of Westmont.

<<<Good Luck>>>