Course No: ACC 4319
Course Title: International Accounting
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No. of Questions: (2)
Time: 1 hour
Using Calculator (yes)

University of Palestine

Final Exam
1st Semester 2014/2015
Total Grade: 20

Instructor Name: Dr. Khaled Eissa

Student No.: ______________________

Student Name: ______________________

College Name: Business Administration
Dep. / Specialist: Accounting
Using Dictionary (No)

Question I:

1. On September 1, 2013, Bain Corporation received an order for equipment from a foreign customer for 300,000 euros, when the U.S. dollar equivalent was $400,000. Bain shipped the equipment on October 15, 2013, and billed the customer for 300,000 euros when the U.S. dollar equivalent was $420,000. Bain received the customer's remittance in full on November 16, 2013 and sold the 300,000 euros for $415,000.
   What should Bain report as a foreign exchange gain or loss?

2. On September 22, 2013, Yumi Corporation purchased merchandise from an unaffiliated foreign company for 10,000 euros. On that date, the spot rate was $1.20. Yumi paid the bill in full on March 20, 2014 when the spot rate was $1.30. The spot rate was $1.24 on December 31, 2011.
   What amount should Yumi report as a foreign currency transaction gain or loss in its income statement for the year ended December 31, 2013?

3. A U.S. exporter has a Thai baht account receivable resulting from an export sale on April 1 to a customer in Thailand. The exporter signed a forward contract on April 1 to sell Thai baht and designated it as a cash flow hedge of a recognized Thai baht receivable. The spot rate was $0.022 on that date, and the forward rate was $0.023.
   Which of the following did the U.S. exporter report in net income?
   a. Discount expense.
   b. Discount revenue.
   c. Premium expense.
   d. Premium revenue

Question II:

Brandlin Company of Anaheim, California, sells parts to a foreign customer on December 1, 2013, with payment of 20,000 korunas to be received on March 1, 2014. Brandlin enters into a forward contract on December 1, 2013, to sell 20,000 korunas on March 1, 2014. Relevant exchange rates for the koruna on various dates are as follows:

Date	Spot Rate	Forward Rate
December 1, 2013	$ 2.00	$2.075
December 31, 2013	2.10	2.2
March 1, 2014	2.25	N/A

Brandlin's incremental borrowing rate is 12 percent. The present value factor for two months at an annual interest rate of 12 percent (1 percent per month) is 0.9803. Brandlin must close its books and prepare financial statements at December 31. Assuming that Brandlin designates the forward contract as a fair value hedge of a foreign currency receivable

Required:

a. Prepare journal entries for these transactions in U.S. dollars
b. What is the effect on 2013 net income?
c. What is the effect on 2014 net income?
d. What is net cash flow from this transaction?

End of Questions
Good Luck