



Course No:  
Course title: Accounting Theory  
Date: 20/05/2018  
No. of Questions: (3)  
Time: 2 hours  
Using Calculator (No)

Final Exam  
Second Semester  
2017/2018  
Total Grade: 50

Instructor: Dr. Ahmed A. M. Al-Afifi  
Student No.: \_\_\_\_\_  
Student Name: \_\_\_\_\_  
College Name: Business and Finance  
Dep. / Specialist: Accounting-English  
Using Dictionary (No)

**Question One: Choose the best answer**

**(15 Marks)**

- 1. The accounts receivable turnover and inventory turnover ratios are used to analyze**
  - a) Long-term solvency.
  - b) Liquidity.
  - c) Leverage.
  - d) Profitability.
  
- 2. A change in the salvage value of an asset depreciated on a straight-line basis and arising because additional information has been obtained is:**
  - a) An accounting change that should be reported in the period of change and future periods of change if the change affects both.
  - b) An accounting change that should be reported by restating the financial statements of all prior periods presented.
  - c) c. A correction of an error.
  - d) d. Not an accounting change.
  
- 3. Which of the following is characteristic of a change in an accounting estimate?**
  - a) It usually need not be disclosed.
  - b) It should be reported through the restatement of the financial statements.
  - c) It does not affect the financial statements of prior periods.
  - d) It makes necessary the reporting of pro forma amounts for prior periods.
  
- 4. loss from the disposal of a component of a business enterprise should be reported separately as a component of income**
  - a) Before extraordinary items.
  - b) After extraordinary items.
  - c) After extraordinary items and cumulative effect of accounting changes.
  - d) Before extraordinary items and cumulative effect of accounting changes.
  
- 5. The installment method of recognizing revenue is not acceptable for financial reporting if:**
  - a) The collectability of the sales price is reasonably assured.
  - b) The installment period is less than 12 months.
  - c) The method is applied to only a portion of the total.
  - d) Collection expenses can be reasonably predicted.
  
- 6. The definition of fair value in SFAS No 157(FASB ASC 820) is**
  - a) Entry price based.
  - b) Replacement cost based.
  - c) . Historical cost based
  - d) Exit price based.



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**7. Which of the following is not an example of an error?**

- a) A change from FIFO to Weighted Average inventory costing
- b) A change from an accounting practice that is not generally acceptable to a practice that is generally acceptable.
- c) Mathematical mistakes.
- d) All of them.

**8. Financial statements include a balance sheet, an income statement and a statement of changes in equity. Which of the following is also included within financial statements?**

- a) A director's report.
- b) An auditor's report.
- c) A cash flow statement.
- d) Company's background.

**9. Which of the following is not an accounting change?**

- a) Change in accounting principle.
- b) Change in a reporting entity.
- c) Change in accounting estimate.
- d) Change because of an error.

**10. Which of the following outcomes of providing accounting information is an attempt to deal with both risks and returns?**

- a) Agency theory.
- b) Efficient markets.
- c) Fundamental analysis.
- d) None of them.

**11. The form of income that Refers to increases in the monetary valuation of resources is:**

- a) Real income.
- b) Psychic income.
- c) Money income.
- d) a and c.

**12. The cost to replace assets with similar assets in a similar condition is the definition of which of the following current value concepts?**

- a) Selling price.
- b) Exit value.
- c) Replacement cost.
- d) None of them.

**13. Which of the following is not a component of equity?**

- a) Common stock.
- b) Unearned revenue.
- c) Retained earnings.
- d) Treasury stock.

**14. Which of the following outcomes of providing accounting information is based on the supply and demand model**

- a) Efficient markets.
- b) Fundamental analysis.
- c) Agency theory.
- d) a +b.



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15. The calculation (net income/sales) is the formula for which of the following ratios:

- a) Return on assets.
- b) Profit margin.
- c) Asset turnover.
- d) Asset usage.

**Question Two:**

**(15 Marks)**

1- What are the differences between financial capital maintenance and physical capital maintenance?

Financial Capital maintenance

Physical Capital Maintenance

2- Define the following terms:

- a. Exit price:
- b. Conservatism:
- c. Deductive approach:

3- Amin Corporation, purchased equipment for \$600,000 from Japan, and pay 30,000\$ for shipping from Japan to Gaza. An equipment was estimated to have a useful life of 10 years with a salvage value of \$30,000 at the end of that time. It uses straight-line basis for depreciation. In 2015 (after 5 years), it is determined that the total estimated life should be 13 years with a salvage value of \$20,000 at the end of that time.

**Calculate the depreciation expense for 2014, and record the accounting entries for these transactions:**



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4- If you know the following information about Amin Corporation:

1. Net sales = 11,000,000 \$
2. Net income available to common stockholders = 684,000 \$
3. Amin Corporation: Balance Sheets as of 31/12 (Thousands of Dollars)

Assets	2010	Liabilities and Equity	2010
Cash	\$ 550	Accounts payable	\$1,100
investments	110	Accruals	550
Accounts receivable	2,750	Notes payable	384
Short-term Inventories	1,650	Total current liabilities	\$2,034
Total current assets	\$5,060	Long-term debt	1,100
Net plant and equipment	3,850	Total liabilities	\$3,134
		Common stock	4,312
		Retained earnings	1,464
		Total common equity	\$5,776
<b>Total assets</b>	<b>\$8,910</b>	<b>Total liabilities and equity</b>	<b>\$8,910</b>

**Required: calculated the following ratios: (write the equation)**

a) Current ratio:

b) Return on Asset (ROA):



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c) Asset Turnover (ATR):

d) Profit Margin (PMR):

**Question Three:**

**(15 Marks)**

**ABC Corporation is a corporation work in cosmetic products in USA. The following information about their transactions during the FY 2015:**

- 1- It has 100,000 ordinary shares at the beginning balance in 2015. In addition, issued 20,000 shares for cash in March 1 2013.
- 2- In June 1, they make share dividend (50%) as additional shares. Then in October 1, they issued 40,000 share for cash.
- 3- It reported the following for FY 2013: net sales \$3,600,000; cost of goods sold \$520,000; selling and administrative expenses \$530,000.
- 4- In April 2013, they closed one of their product lines at a pretax loss of \$175,000. Prior to disposal, the product line operated at a pretax loss of \$450,000 in 2013.
- 5- In September 2013, they suffered an unusual and infrequent pretax loss of \$770,000 from a volcano eruption.

**Required: If you know that corporation's tax rate is 30%:**

- a) Prepare income statement for AZARO Corporation.
- b) Compute the weighted-average number of shares outstanding for AZARO Company.
- c) Calculate AZARO Earning per Share (EPS).

University of Palestine



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End of Questions  
*Good Luck*