


Course No: ACNE 4222
Course Title: Contemporary
Accounting Issues
Date: 26/05/2018
No. of Questions: (4)
Time: 2 hour
Using Calculator (yes)

University of Palestine



Final Exam
2nd Semester 2017/2018
Total Grade: 50

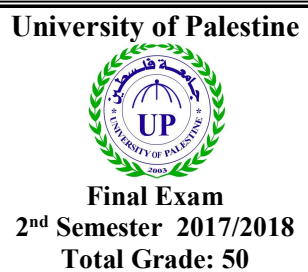
Instructor Name: Dr. Khaled Eissa
Student No.: _____
Student Name: _____
College Name: Business Administration
Dep. / Specialist: Accounting
Using Dictionary (No)

Question 1: (Put v or x)

(15 marks)

1. Global Reporting Initiative Launched in 1997 as an initiative to develop a globally international financial reporting standards. ()
2. Good governance can increase the cost of capital and decrease shareholder base ()
3. In the liquidation process the business is considered a going concern ()
4. Sustainable Development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs ()
5. Outgoing CEOs are likely to manage earnings up in final year to increase opportunities or reduce appearance of poor performance. ()
6. Standardization of reporting period allows investors to compare and evaluate managements of different reporting entities ()
7. Sustainability reporting can improve risk management ()
8. There is likely to be greater levels of earnings management when the proportion of independent directors on the board is low. ()
9. Traditional accounting systems provide good information about corporate intangible assets. ()
10. Recognizing fictitious receivables to support non-existent sales considered among conservative earning management. ()
11. According to Agency theory managers, as agents, are likely to act in their owner's interest. ()
12. Accrual accounting enables entity to temporarily adjust profit figures ()
13. Auditors have an information advantages over outsiders including management. ()
14. Earnings management generally brings revenues into the year of 'need' and postpones expenses into the next or subsequent years ()
15. Emissions trading scheme (ETS) are designed to control emissions where a levy is paid based on the amount of emissions. ()

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Question 2: (Multiple choice)

(15 marks)

1. Recognizing service agreed to but not yet performed considered:
 - a) Conservative earning management
 - b) Moderate earning management
 - c) Aggressive earning management
 - d) Fraud

2. The only intellectual capital recognized in the financial statements, the one who is:
 - a) Created internally
 - b) Purchased
 - c) Sold
 - d) None of the above

3. Which of the following is not a key element of corporate governance:
 - a) Controlling and directing the directors
 - b) Managing relationship with customers
 - c) Role of shareholders
 - d) Transparency and accountability

4. Which of the following is not an Arguments for Standardisation of Reporting Periods:
 - a) It allows investors to compare and evaluate managements of different reporting entities.
 - b) The requirement for dividends makes it necessary to close the books and calculate profits to declare a dividend.
 - c) Various company acts require entities to produce annual financial statements.
 - d) Natural earning cycle of business

5. Which of the following methods is not an earning management:
 - a) Under-provisioning for bad debts expenses
 - b) Delaying assets impairments.
 - c) Recognizing unrealized holding gains for short term investments.
 - d) Amending depreciation and amortization estimates.

6. XBRL is a language for:
 - a) Computerized accounting information system
 - b) Electronic communication of financial data
 - c) Extended voluntary disclosure
 - d) Based reporting language

7. According to your study, EMS refers to:
 - a) Electronic management system
 - b) Ethical management system
 - c) Environment management system
 - d) Express mail service

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Using Dictionary (No)

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8. Agency problems can be reduced through:
- a) Bonus plan
 - b) External auditing
 - c) Independent bod
 - d) All of the above
-
9. Book value of the company didn't match with market value, this is may occur due to:
- a) Intangible assets
 - b) Current assets
 - c) Fixed assets
 - d) Stockholder's equity
-
10. Capitalizing advertising and marketing expenses will lead to:
- a) Decrease current year net income
 - b) Increase current year net income
 - c) Increase net working capital
 - d) Decrease net working capital
-
11. Corporate governance refers to:
- a) Principles, assumptions and policies to prepare accounting financial report
 - b) Principles, mechanisms or procedures developed to make sure that companies act appropriately
 - c) Principles, standards, and ethics for external audit.
 - d) Principles, standards, for managing human resources.
-
12. Customers interest in corporate sustainability:
- a) Improve entity value
 - b) Source of products, seek a green product
 - c) Investment in socially responsible grounds
 - d) The environment impacts of projects.
-
13. Intergenerational Equity means:
- a) The ability to meet the needs of all current inhabitants.
 - b) The efficient use of resources to minimize their impact on the environment.
 - c) Consumptions of resources should not affect the quality of life of future generations.
 - d) None of the above.
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14. International financial reporting require financial report to presented:
- a) On real-time
 - b) Quarterly
 - c) Semiannually
 - d) Annually
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15. Involuntary bankruptcy occur when:
- Stockholders seek to liquidate the company
 - Employees seek to liquidate the company
 - Government seek to liquidate the company
 - Creditors seek to liquidate the company

Question 3: (10 marks)

The Following balance sheet has been prepared by the accountant for Limestone Company as of June 3, 2017, the date on which the company is to file a voluntary petition of bankruptcy:

Limestone Company	
Balance Sheet	
June 3, 2017	
Assets	
Cash	\$ 3,000
Accounts Receivable (net)	65,000
Inventory	88,000
Land	100,000
Buildings (net)	300,000
Equipment (net)	180,000
Total Assets	\$736,000
Liabilities & Equities	
Accounts Payable	\$98,000
Notes payable – current (secured by equipment)	250,000
Notes payable – long term (secured by land and buildings)	190,000
Common Stock	120,000
Retained Earnings	78,000
Total Liabilities & Equities	\$736,000

Additional Information:

- If the Company is liquidated, administrative expenses are estimated at \$18,000.
- The accounts payable figure includes \$10,000 in wages earned by the company's 12 employees during May. No one earned more than \$2,200.
- Liabilities do not include taxes of \$14,000 owed to the U.S. government.
- Company officials estimate that 40% of the accounts receivables will be collected in liquidation and that the inventory disposal will bring \$80,000. The land and building will be sold together for approximately \$310,000; the equipment should bring \$130,000 at auction.

Required:

Prepare a statement of financial affairs for Limestone Company as of June 3, 2017.

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Question 4: (10 marks)

The following balance sheet has been produced for Kodak Corporation as of September 1, 2017 the date on which the company is to begin selling assets as part of a corporate liquidation:

Kodak Corporation	
Balance Sheet – September 1, 2017	
Assets	
Cash	\$ 30,000
Account receivables (net)	160,000
Investments	60,000
Inventory	140,000
Land	60,000
Buildings (net)	700,000
Equipment (net)	400,000
Total Assets	<u>\$1,550,000</u>
Liabilities & Equities	
Account payables	\$300,000
Notes payable – current (secured by inventory)	270,000
Note payable – long term (secured by land & buildings (valued at \$650,000))	520,000
Common Stock	270,000
Retained Earnings	190,000
Total Liabilities & Equities	<u>1,550,000</u>

- The following events occur during the liquidation process:
- The investments are sold for \$80,000
- The inventory is sold at auction for \$100,000
- The money derived from the inventory is applied against the current notes payable.
- Administrative expenses of \$30,000 are incurred in connection with the liquidation.
- The land and buildings are sold for \$650,000. The long term notes payable are paid.
- The accountants determine that \$70,000 of the accounts payable are liabilities with priority.
- The company equipments is sold for \$170,000.
- Accounts receivable of \$70,000 are collected. The reminder of the receivables is considered uncollectible.
- The administrative expenses are paid.

Required:

- Prepare a statement of realization and liquidation for the period just described.
- What percentage of their claims should the unsecured creditors receive?

<<< G o o D L u c K >>>