

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



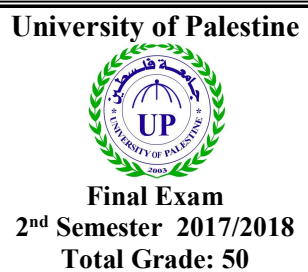
Instructor Name: Dr. Khaled Eissa  
Student No.: \_\_\_\_\_  
Student Name: \_\_\_\_\_  
College Name: Business Administration  
Dep. / Specialist: Accounting  
Using Dictionary (No)

**Question 1: (Put √ or ×)**

**(15 marks)**

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

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**Question 2: (Multiple choice)**

**(15 marks)**

1. 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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2. Agency problems can be reduced through:
  - a) Bonus plan
  - b) External auditing
  - c) Independent bod
  - d) All of the above

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3. 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

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4. 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

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5. 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.

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6. 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.

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7. 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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University of Palestine



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

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8. International financial reporting require financial report to presented:
- On real-time
  - Quarterly
  - Semiannually
  - Annually
- 
9. 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
- 
10. Recognizing service agreed to but not yet performed considered:
- Conservative earning management
  - Moderate earning management
  - Aggressive earning management
  - Fraud
- 
11. The only intellectual capital recognized in the financial statements, the one who is:
- Created internally
  - Purchased
  - Sold
  - None of the above
- 
12. Which of the following is not a key element of corporate governance:
- Controlling and directing the directors
  - Managing relationship with customers
  - Role of shareholders
  - Transparency and accountability
- 
13. Which of the following is not an Arguments for Standardisation of Reporting Periods:
- It allows investors to compare and evaluate managements of different reporting entities.
  - The requirement for dividends makes it necessary to close the books and calculate profits to declare a dividend.
  - Various company acts require entities to produce annual financial statements.
  - Natural earning cycle of business
- 
14. Which of the following methods is not an earning management:
- Under-provisioning for bad debts expenses
  - Delaying assets impairments.
  - Recognizing unrealized holding gains for short term investments.
  - Amending depreciation and amortization estimates.
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15. XBRL is a language for:
- Computerized accounting information system
  - Electronic communication of financial data
  - Extended voluntary disclosure
  - Based reporting language

**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<br>Balance Sheet<br>June 3, 2017        |                  |
|---|------------------|
| <b>Assets</b>   |                  |
| Cash  | \$ 3,000         |
| Accounts Receivable (net)                                 | 65,000           |
| Inventory   | 88,000           |
| Land  | 100,000          |
| Buildings (net)   | 300,000          |
| Equipment (net)   | 180,000          |
| <b>Total Assets</b>                                       | <b>\$736,000</b> |
| <b>Liabilities &amp; Equities</b>                         |                  |
| 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           |
| <b>Total Liabilities &amp; Equities</b>                   | <b>\$736,000</b> |

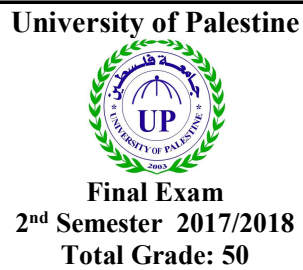
**Additional Information:**

- 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:

| <b>Kodak Corporation</b>   |                           |
|--|---------------------------|
| <b>Balance Sheet – September 1, 2017</b>                                     |                           |
| <b>Assets</b>  |                           |
| 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                   |
| <b>Total Assets</b>  | <b><u>\$1,550,000</u></b> |
| <b>Liabilities &amp; Equities</b>  |                           |
| 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                   |
| <b>Total Liabilities &amp; Equities</b>                                      | <b><u>1,550,000</u></b>   |

- 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 >>>