

Course No:  
 Course Title: Intermediate  
 Accounting 2  
 Date: 30/05/2019  
 No. of Questions:  
 Time: 2 hours  
 Using Calculator (Yes)

University of Palestine



Final Exam  
 Second Semester  
 2018/2019

Instructor Name: \_\_\_\_\_  
 Student No.: \_\_\_\_\_  
 Student Name: \_\_\_\_\_  
 College Name: Business & Finance  
 Dep. / Specialist: Accounting  
 Using Dictionary (No)

**Answer all the following questions**

**Question One: (5 Marks)**

**A- Choose what are True and what are False from the following**

1	( )	A major advantage of no-par shares is that some countries levy a high tax on these issues
2	( )	In Induced Conversion case buyer wishes to encourage prompt conversion
3	( )	Companies measure debt investments at amortized cost always
4	( )	Debt investments at fair value have accounting entries differs form those of debt investments held-for-collection.
5	( )	Actuaries estimate the employee contribution by considering mortality rates, employee turnover, interest and earning rates, early retirement frequency, future salaries

**B- For each of the following subsequent events, indicate whether a company should (A) adjust the financial statements, (B) disclose in notes to the financial statements, or (C) neither adjust nor disclose.**

1	.....	Introduction of a new product line.
2	.....	Retirement of the company president
3	.....	Loss of a significant customer.
4	.....	Prolonged employee strike
5	.....	Hiring of a new president.

**Question Tow: (6 Marks)**

**2- Reasons for Increase in Reporting Requirements**

- 1.....
- 2.....
- 3.....

**3- Explain the General rule in Shares Issued in Noncash Transactions**

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**4- Objective of Reporting Segmented Information**

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**Question Three: (14Marks)**

A-Dremler Company has accounted for its income from long-term construction contracts using the cost-recovery (zero-profit) method. In 2016, the company changed to the percentage-of-completion method. Management believes this approach provides a more appropriate measure of the income earned. For tax purposes, the company uses the cost-recovery method and plans to continue doing so in the future. (Assume a 40 percent enacted tax rate.)

<b>Dremler Partial Income Statement (\$)</b>						
	<b>Recovery Method</b>			<b>Percentage of Completion Method</b>		
	<b>31/12/2016</b>	<b>31/12/2017</b>	<b>31/12/2018</b>	<b>31/12/2016</b>	<b>31/12/2017</b>	<b>31/12/2018</b>
NPBT	800000	320000	380000	1200000	360000	400000
Tax 40%	320000	128000	152000	480000	144000	160000
N.P.	48000	192000	228000	720000	216000	240000

**Required**

**You are required to journalize the transaction effect**

B- On January1, 2017, Getafe Company issued 60,000 shares of \$10 par value ordinary shares at a price of \$20 per share. In addition, it has retained earnings of \$500,000. On March 20, 2018, GetafeCompany acquired 15,000 of its shares at \$15 per share. . On December 2018Getafe Company sold 5,000 shares at \$20 per share. On February 2019 Getafe Company sold 5,000 shares at \$12 per share

**Required: You are required**

- 1- To journalize transactions**
- 2- Show the owners equity after realizing all these transactions**

#### Question Four: (12Marks)

A–In 2018 the bookkeeper for SHARP Company discovered the following error:  
In 2017 the company failed to record \$20,000 of depreciation expense on a newly constructed building. This building is the only depreciable asset SHARP owns. The company correctly included the depreciation expense in its tax return and correctly reported its income taxes payable.

**Required**

**You are required to journalize the error correction**

B-Modrich Company issues 2,000 convertible preference shares that have a par value of \$1 per share. The shares were issued at a price of \$200 per share. Later each share is subsequently converted into 30 each ordinary shares (\$2 par value) that have a fair value of \$450,000. At the conversion date shares were converted.

**Required:**

**You are required to journalize transactions**

#### Question Five: (12 Marks)

A – On January 1, Barbie Company purchased \$120,000 of 8% bonds of Morris Corporation, 2017, at a discount, paying \$95,000. The bonds mature January 1, 2022 and yield 10%; interest is payable each July 1 and December 31. On October 1, 2019 Barbie Company sells these bonds, at \$100,000 plus accrued interest.

**Required:**

**You are required to journalize transactions during the period 2015-2017**

B-On January 1, 2015, Adams Corporation signed a 5-year noncancelable lease for a machine. The terms of the lease called for Adams to make annual payments of \$9,968 at the beginning of each year, starting January 1, 2015. The machine has an estimated useful life of 6 years and a \$5,000 **unguaranteed residual value**. Adams uses the straight-line method of depreciation for all of its plant assets. Adams's incremental borrowing rate is 10%, and the lessor's implicit rate is unknown.

PV single sum ( $i= 10\%$ ,  $n= 5$ ) = 0.5117 and PV of annuity due ( $i= 10\%$ ,  $n= 6$ ) = 4.79079 and PV of annuity due ( $i= 10\%$ ,  $n= 5$ ) = 4.16986

**Required**

**You are required to calculate You are required to journalize transactions**

**\*\*\*GOOD LUCK\*\*\***