Course No: ACC 4319 **Course Title: International Accounting** **Date: 8/8/2012** **No. of Questions: (5)** **Time: 2 hour** **Using Calculator (yes)**	**University of Palestine** **Final Exam** **3rd 2011/2012** **Total Grade: 100**	**Instructor Name: Dr. Khaled Eissa** **Student No.: ____________________** **Student Name: ____________________** **College Name: Business Administration** **Dep. / Specialist: Accounting** **Using Dictionary (No)**

Question 1:

On October 31, 2010, The Moon Company sold merchandise to a foreign customer for 75,000 Dirham with payment to be received on April 30, 2011. At the date of sale, The Moon Company entered into a six month forward contract to sell 75,000 Dirham. The forward contract designated as a cash flow hedge of a foreign currency receivable. Relevant exchange rates for the Dirham are:

Date	Spot rate	Forward rate (to April 30, 2011)
October 31, 2010	$0.27	$0.26
December 31, 2010	0.24	0.22
April 30, 2011	0.18	

The Moon Company incremental borrowing rate is 12%. The present value factor for four months at annual interest rate of 12% is 0.9610

Required:

Prepare all journal entries, including December 31 adjusting entries, to record the sale and forward contract. What is the impact on net income in 2010, and 2011?

Question 2:

Karol Company acquired a machine on January 1, 2005, at a cost of $15 million. The machine has a 5 year life, no residual value, and is depreciated on a straight-line basis. On January 1, 2007 Karol Company determines the fair value of the asset (net of any accumulated depreciation) to be $18 million.

Required:

Determine the impact the equipment has on Karol Company's income years 1-5 using IFRS, assuming that revaluation model allowed by IAS16 is used for measurement subsequent to initial recognition.

Question 3:

GM Corporation (a French company) invests 500,000 Palestinian Lire (PL) in a Palestinian foreign subsidiary on January 1, 2008. The subsidiary commences operations on that date, and generates net income of 100,000 PL during its first year of operations. No dividends are sent to the parent this year. Relevant exchange rates between GM reporting currency € and the PL are as follows:

January 1, 2008	€ 0.15
Average, 2008	€ 0.17
December 31, 2008	€ 0.21

Required:

Determine the amount of translation adjustment that GM will report on its December 31, 2008, balance sheet.

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Question 4:

On December 1, 2006, Rashid Company purchases inventory from a foreign supplier for 25,000 rubel. Payment will be made in 90 days after Rashid has sold this merchandise. The following exchange rates for 1 rubel apply:

Date	U.S. Dollar per Rubel
December 1, 2006	$1.87
December 31, 2006	1.82
March 1, 2007	1.91

Required:

Prepare all journal entries for Rashid in connection with the purchase and payment.

Question 5:

GMC Corporation (a U.S. - based company) acquired 100% of a Swiss company for 4.1 million Swiss francs on December 20, 2010. At that date of acquisition, the exchange rate was $0.70 per franc. The acquisition price is attributable to the following assets and liabilities denominated in Swiss francs:

Cash	500,000
Inventory	1,000,000
Fixed Assets	3,500,000
Notes Payable	(900,000)

GMC Corporation prepares consolidated financial statements on December 31, 2010. By that Date, the Swiss franc appreciated to $0.75. Because of the year-end holidays, no transactions took place between the date of acquisition and the end of the year.

Required:

Determine the re-measurement gain or loss to be reported in GMC year 2010 consolidated income assuming that the U.S. dollar is the functional currency?

End of Questions

Good Luck