

College of Business Administration, Al Kharj

Al Kharj University

Intermediate Accounting- ACCT-218

Model Paper Final Examination - 1431-32

Name of the Student : -----
University Number : -----
Date : ----- Total Marks: 40

Attempt any five questions. All question carry equal marks:

Q1. Write true or false for the following statements

- (a) The leasing environment there is three players
- (b) Operating method (lessor) records each rental receipt as rental revenue
- (c) Revenue recognition at point of sale (delivery consisting three methods?)
- (d) Under the contract completing method Companies recognize revenue and gross profit only at point of sale—that is, when the contract is completed

Q2 Fill in the blanks of the followings:

- (a) . Percentage-of-Completion method when ----- of progress toward completion, revenues, and costs are reasonably dependable
- (b) Change in accounting principles there are----- approaches for reporting changes
- (c) Full disclosure principle calls for financial reporting of any financial facts significant enough to ----- the judgment of an informed reader
- (d) Notes are the means of ----- or explaining the items presented in the main body of the statements.

Q3. Tick the correct answer of the followings:

I.The Siemens electronic company borrowed a sum of cash on october1, 2006, and signed a note payable, the annual interest rate was 12% and the company's year 2006 income statement reported interest expense of \$1,260 related to this note. What was the amount borrowed?

- (a) \$22,000 (b) \$31,500 (c) \$ 10,500 (d) \$42,000

II. On November 1, Red tape shoes borrowed \$18 million cash and issued a 6 month, noninterest bearing note. The loan was made by third commercial bank whose stated discount rate is 9%. Rad tape's effective interest rate on this loan is:

- (a) 8.61% (b) 9.0% (c) 9.42% (d) 9.5%

III. Universal leasing corporation, leases farm equipment to its customer under direct-financing leases. Typically the equipment has no residual value at the end of leases and the contracts call for payments at the beginning of each year. Universal's target rate of return is 10%. On a five year lease equipment with a fair value of \$485,100, universal will earn interest revenue over the life of the lease of:

- (a) 96,575 (b) \$ 114,900 (c) \$121,275 (d) \$194,040

IV. A necessary condition for a sales type lease is:

- (a) Legal title to the asset transfers to the lessee
(b) The present value of minimum lease payments exceeds the lessors cost
(c) The lessors earn interest revenue instead of dealers profit
(d) the lessor earns profit instead of interest revenue

V. A change in accounting principle that usually should not be reported by revising the financial statements of prior periods is a change from the:

- (a) The weighted- average method to the LIFO method
(b) The weighted- average method to the FIFO method
(c) FIFO method to the weighted- average method
(d) LIFO method to the weighted-average method

Q4 Write short note on the followings:

- (a) Short term obligation (b) Dividends

Q5. Stc company issues at par 10 year term bonds with a par value of \$ 800000, dated January 1, 2007, and bearing interest at an annual rate of 10% payable semi-annually on January 1 and July.

Pass necessary entries in the books of Stc:

Q6. Micro soft leases Dell pc for two years at a rental of \$100 per month per computer and subsequently can lease them for \$100 per month per computer for another two years. What type of lease is this explains?

Q7. What do you understand by disclosure issues?