MODEL QUESTION FOR FINAL SEMESTER EXAM

Total Questions = 8 **Maximum Marks : 5 × 8 = 40**

Time: 2 Hours

All question carry equal marks. Attempt any five questions.

Multiple Choice:

On 1st December 2009, Bank entered in to a transaction to import raw materials from a foreign country. The account is to be settled on March 1st 2010 with the payment of 50000 Euros. The spot rate of Euros on 1st Dec, was $1.4/euro and on March 1st it was $1.44/euro.

Q.- 1 If the Bank does not hedge the payable, raw material will be recorded on the books on March 1st 2010 at what amount?

50000 Euros, (b) $72000, (c) $70000, (d) None of the above

Q.- 2 What is the total amount of transaction gain or losses to be included in net income?

(a) $2000 gain (b) $2000 loss (c) No gain or loss until the raw material are sold (d) There are no gain or loss . The change in the value of raw materials offsets in changes in the payable.

On October 1st 2008, Riyan Company ordered some equipment from a supplier for 200000 euro. Delivery and payment is to occur on November 30th, 2009, the spot rate on 1st October and November 30th are $1.50 and $1.30.

Q.-3 If the Riyan Company does not hedge (a way of protecting yourself against losses) the commitment, at what amount is the equipment recorded in the book on 30th November, 2009?

(a) $ 300000, (b) $ 260000, (c) $ 200000, (d) None of the above

Q. -4 If the forward contact is acquired, what is the overall exchange gain or loss.

(a)$0, (b) $10000 gain, (c) $10000 loss (d) $ 30000 gain

Q.-5 If the company acquires a forward contract to hedge any unfavourable changes in fair value of the equipment, at what amount is the equipment recorded in the book on November 30th 2009. The forward rate for November 30th is $1.35.

(a) $ 300000 (b) 260000 (c)$ 270000 (d) None of the above

True and false: select the correct answer

Q.-6 Acquiring fixed assets is of $ 400000 estimated useful life of 10 years. The value of depreciation for each year is $40000 .

a) True, b) False

Q.-7 Combination of business is the liquidation of two company and formation of a new company. .

a)True, b) False

Q.-8 On January 1, 2008, Hawkins & Company purchased an 80% interest in Sage Company for $600,000. On this date Sage Company had common stock of $150,000 and retained earnings of $400,000. Sage Company's equipment on the date of Hawkins & Company 's purchase had a book value of $400,000 and a fair value of $600,000. All equipment had an estimated useful life of 10 years on January 2, 2003.

Prepare a Computation and Allocation Schedule.

Q.- 9. An heavy equipment is purchased for $ 100,000 on 1st January, 2010, if its estimated expected useful life is ten (10) year. What would be the value of depreciation? And how it will be allocated.?

Q.- 10. On January 1, 2007, Parker Company purchased 95% of the outstanding common stock of Sid Company for $160,000. At that time, Sid's stockholders' equity consisted of common stock, $120,000; other contributed capital, $10,000; and retained earnings, $23,000. Calculate Noncontrolling interest in consolidated net income.

MODEL QUESTION FOR MID-TERM I&II

Total Questions = 8 **Maximum Marks: 5 × 3= 15**

Time: 2 Hours

Read the situations given below and answer the questions:

Plantation Homes Company is considering the acquisition of Condominiums, Inc. early in 2008. To assess the amount it might be willing to pay, Plantation Homes makes the following computations and assumptions.

Satiation I: Condominiums, Inc. has identifiable assets with a total fair value of $15,000,000 and liabilities of $8,800,000. The assets include office equipment with a fair value approximating book value, buildings with a fair value 30% higher than book value, and land with a fair value 75% higher than book value. The remaining lives of the assets are deemed to be approximately equal to those used by Condominiums, Inc.

Situation II: Assume further that Plantation Homes feels that it must earn a 25% return on its investment and that goodwill is determined by capitalizing excess earnings. Based on these assumptions, calculate a reasonable offering price for Condominiums, Inc. Indicate how much of the price consists of goodwill. Ignore tax effects.

From the above situation solve the following problem:

Q-1. Estimate the expected future earning without gain or losses.

Q-2. Compute the excess earning per year

Q-3. Compute the estimated goodwill

Multiple choice objective type question:

Q.-4. When a new corporation is formed to acquire two or more other corporations and the acquired corporations cease to exist as separate legal entities, the result is a statutory

(a) Acquisition (b) Combination (c) Consolidation (d) Merger

Q-5. Under the straight line method depreciation is calculated on

(a) Written down value, (b) the original cost, (c) The Scrap value

Q -6. Suppose that SMC Company acquires 100% of the net assets of Bee Company (net book value of $100,000) by issuing shares of common stock with a fair value of $120,000. With respect to the merger, SMC incurred $1,500 of accounting and consulting costs and $3,000 of stock issue costs. SMC maintains a mergers department that incurred a monthly cost of $2,000. The following illustrates how these costs are recorded under proposed GAAP.

Q.-7 Solve the problem, if Fair value of assets, without cash is $1,824,000, and Fair value of liabilities is $594,000, Price paid $ 1,560,000 for acquiring any company. What will be the goodwill?

Q.- 8 Assume that on January 1, 2007, P Company acquired all the outstanding stock (10,000 shares) of S Company for cash of $160,000. What journal entry would P Company make to record the shares of S Company acquired?

Q. -9 On January 1, 2007, Parker Company purchased 95% of the outstanding common stock of Sid Company for $160,000. At that time, Sid's stockholders' equity consisted of common stock, $120,000; other contributed capital, $10,000; and retained earnings, $23,000. You are Required to Prepare a consolidated statements on Dec. 31, 2007

Q.-10 On January 1, 2007, Parker Company purchased 95% of the outstanding common stock of Sid Company for $160,000. At that time, Sid's stockholders' equity consisted of common stock, $120,000; other contributed capital, $10,000; and retained earnings, $23,000.
Pass necessary journal entries for allocation of the difference between implied and book value:

MODEL QUESTION – QUIZZES

Multiple choice or objective type question: Select the right answer:

Q-1. Which one can be used as consideration in stock acquisition?

(a) Cash, b) Debt, c) Stock, d) Any of the above may be used

Q- 2. (i) When a new corporation is formed to acquire two or more other corporations and the acquired corporations cease to exist as separate legal entities, the result is a statutory

(a) acquisition (b) Combinations (c) Consolidation (d) Merger

(ii) The non-controlling interest in the subsidiary is reported as:

(a) Asset, b) Liability, c) Equity, d) Expense

Q-3. Which of the following adjustments do not occur in the consolidating process?

a. Elimination of parent's retained earnings
b. Elimination of intra-company balances
c. Allocations of difference between implied and book values
d. Elimination of the investment account

Q-4. Under the straight line method depreciation is calculated on

a) Written down value, b) the original cost, c) The Scrap value

Q-5. If there is a bargain acquisition (after carefully considering the fair valuation of all subsidiary assets and liabilities) the most recent FASB proposal requires the following accounting:

a. an ordinary gain is reported in the financial statements of the consolidated entity.
b. an ordinary loss is reported in the financial statements of the consolidated entity.
c. negative goodwill is reported on the balance sheet.
d. assets are written down to zero value, if needed.

Q.-6 Under the current method of currency translation, which of the following balance sheet accounts is translated at historical exchange rates?

(a)Cash (b) Accounts Receivable (c) Bonds Payable (d) Common Stock

Q.-7 Identifying the Functional Currency. The Functional Currency may be:

(a) The local currency of the foreign entity,

(b) The U.S. dollar, or

(c) The currency of a third country.

Q-8. Difference of the amount paid over fair value of a company at the time of acquisition is what?

a) Incentive , b) Depreciation, c) Goodwill

True and false:

Q-9. Merger of any two company and acquisition of any two company is the same? Statement is true or false:

a) True, b) False

Q-10. The access of acquisition cost over fair value of the of a company is goodwill.

a) False, b) True