



نظم محاسبي

Accounting Information Systems  
Final Examination  
January, 2017  
Time Allowed: Three Hours  
Total Marks: 85

**Question 1 (90 Minuets, 35 Marks)**

Answer each of the following 35 multiple-choice questions by selecting and writing the best answer in your answer sheet:

1. Which of the following is **not** a common transaction processing cycle found in business organizations?
  - a. Finance cycle
  - b. Accounting cycle
  - c. Production cycle
  - d. Revenue cycle
2. The exchange of business documents such as purchase orders and invoices in an electronic format between the computers of separate organizations is known as:
  - a. e-mail
  - b. electronic data interchange
  - c. computer-integrated information system
  - d. electronic document exchange
3. Software that integrates business processes on a company-wide basis is called:
  - a. Enterprise Resource Planning
  - b. Executive information systems
  - c. Expert systems
  - d. Manufacturing information systems
4. Which statement regarding internal control is **false**?
  - a. Documentation is not a critical component of an internal control system.
  - b. Ideally, a task can be divided to make job functions as natural checks on each other.
  - c. A specific person should ideally be responsible for each task or job function.
  - d. All records should allow cross-referencing from one area of responsibility to another.
5. The acronym for the organization responsible for standardizing flowchart symbols is:
  - a. FASB
  - b. ANSI
  - c. AICPA
  - d. CMA
6. Which of the following is an example of narrative techniques?
  - a. depth interviews
  - b. open-ended questionnaires
  - c. document reviews
  - d. All of these answers are correct.

7. Systems techniques may be used to:
  - a. assist in designing computer programs.
  - b. give an overall picture of transaction processing in the organization.
  - c. assist a systems analyst in organizing facts about a system.
  - d. All of these answers are correct.
  
8. The first step in preparing a flowchart is to:
  - a. select the symbols to be used
  - b. analyze the system
  - c. sketch a rough draft of the system
  - d. consult the work papers from previous audits
  
9. Connector symbols may be used in place of:
  - a. comment symbols
  - b. long flowlines
  - c. data flow symbols
  - d. communications links
  
10. Which of the following is NOT a step in the data processing cycle?
  - a. data collection
  - b. data input
  - c. data storage
  - d. data processing
  
11. All of the information (name, GPA, major, etc.) about a particular student is stored in the same \_\_\_\_\_.
  - a. file
  - b. record
  - c. attribute
  - d. field
  
12. Which of the following is most likely to be a general ledger control account?
  - a. accounts receivable
  - b. petty cash
  - c. prepaid rent
  - d. retained earnings
  
13. A DFD is a representation of which of the following?
  - a. the logical operations performed by a computer program
  - b. flow of data in an organization
  - c. decision rules in a computer program
  - d. computer hardware configuration
  
14. Which of the following statements is FALSE?
  - a. Flowcharts make use of many symbols.
  - b. A document flowchart emphasizes the flow of documents or records containing data.
  - c. DFDs help convey the timing of events.
  - d. Both a and b are false.
  
15. The documentation skills that accountants require vary with their job function. However, they should at least be able to do which of the following?
  - a. Read documentation to determine how the system works.
  - b. Critique and correct documentation that others prepare.
  - c. Prepare documentation for a newly developed information system.
  - d. Teach others how to prepare documentation.

25. Sometimes computer programs are used to commit acts of sabotage. A computer program that actually grows in size as it infects more and more computers in a network is known as a:
- Trojan horse
  - logic bomb
  - virus
  - worm
26. To detect unauthorized direct changes to master files, the auditor traces these changes back to the underlying:
- transaction files
  - source documents
  - hypothetical transactions
  - control account balances
27. Stealing a master list of customers and selling it to a competitor is an example of
- data theft.
  - output theft.
  - disbursement fraud.
  - a trap door technique
28. The most basic security procedure in system-access controls is the:
- sign-countersign system
  - identification of the user's ID, time, and date of each entry
  - user's responsibility to protect his or her password
  - system's assignment of the user ID and password
29. How a user conceptually organizes and understands data is referred to as the \_\_\_\_\_.
- physical view
  - logical view
  - data model view
  - data organization view
30. All of the following are recommended guidelines for making flowcharts more readable, clear, concise, consistent, and understandable EXCEPT:
- Divide a document flowchart into columns with labels.
  - Flowchart all data flows, especially exception procedures and error routines.
  - Design the flowchart so that flow proceeds from top to bottom and from left to right.
  - Show the final disposition of all documents to prevent loose ends that leave the reader dangling.
31. What is each row in a relational database table called?
- relation
  - attribute
  - anomaly
  - tuple
32. Which of the following is an individual user's view of the database?
- conceptual-level schema
  - external-level schema
  - internal-level schema
  - logical-level schema
33. Which of the following attributes would most likely be a primary key?
- supplier name
  - supplier number
  - supplier Zip code
  - supplier account balance

كسر حاسب

Kafrelsheikh University	Advanced Financial Accounting	January 2017
Faculty of Commerce	Fourth Academic Year	Time: 3 Hours
English Section	Final Exam	Dr. Mohamed Srouf

**Answer the following questions:**

**Question (1): [40 min.-20marks]**

Denton Corporation (the Survivor) agreed to pay \$300,000 cash and issued 40,000 shares of its \$10 par common stock (\$20 current fair value a share) and also issued \$200,000 long term note (5 years) 10% in September 30, 2016, for the net assets of Irving Company. Also on that date, Denton paid the following out-of-pocket costs for the business combination with Irving:

Legal Fees	\$ 40,000
Finder's Fees	50,000
Costs associated with SEC registration statement	60,000
Total out-of-pocket costs for the business combination	150,000

The balance sheet of Irving Company on September 30, 2016 with related current fair values, was as following:

Irving Company  
Balance Sheet (Prior to business combination)  
September 30, 2016  
Assets

	Carrying Amounts	Current Fair Values
Cash	\$300,000	\$300,000
Trade accounts receivable	200,000	200,000
Inventories	600,000	650,000
Plant Assets (net)	900,000	850,000
Total Assets	\$2,000,000	
Liabilities and Stockholders' Equity		
Current Liabilities	\$400,000	\$420,000
Long-term debt	500,000	450,000
Common stock, \$2 par	400,000	
Additional paid in capital	300,000	
Retained earnings	400,000	
Total Liabilities and Stockholders' Equity	\$2,000,000	

**Required:**

Prepare journal entries for Denton Corporation on September 30, 2016, to record the business combination with Irving Company.

**Question (2): [50 min.-20marks]**

Apple Corporation saw the potential for vertical integration and purchases 4,000 shares in Sony Corp. on January 1, 2015, for \$300,000. At that date, Sony's stockholders' equity included \$800,000 of \$20 par value common stock, \$600,000 of additional paid in capital, and \$1,500,000 retained earnings. The companies began to work together and realized improved sales by both parties. On October 31, 2016, before receipt of the year's dividends from Sony, Apple paid \$600,000 for an additional 20% interest in Sony Corp. Both of Apple's investments were made when Sony's book values equaled their fair values. Sony's net income and dividends for 2015 and 2016 were as follows:

	<u>2015</u>	<u>2016</u>
Net income	\$400,000	\$600,000
Dividends	\$100,000	\$150,000

**Required:**

1. Prepare journal entries for Apple Corporation to account for its investment in Sony Corporation for 2015 and 2016.
2. Calculate the balance of Apple's investment in Sony at December 31, 2016

**Question (3): [40 min.-20marks]**

ABC Corporation paid \$250,000 cash for 40% of the voting common stock of SeaMap Inc. on **April 1, 2016**. SeaMap reports net income of \$200,000 for the year ended **December 31** and declares \$50,000 dividends on **July 1**. Book value and fair value information for SeaMap on **April 1, 2016** is as follows:

<u>Assets</u>	<u>Book</u> <u>Values</u>	<u>Fair</u> <u>Values</u>
Cash	\$90,000	\$90,000
Inventories	170,000	180,000
Plant Assets (20 years)	150,000	290,000
Equipment (10 years)	440,000	400,000
	<u>\$ 850,000</u>	
<u>Liabilities &amp; Equities</u>		
Accounts payable	\$250,000	\$260,000
Note payable (5 years)	150,000	120,000
Capital stock	400,000	
Retained earnings	50,000	
	<u>\$850,000</u>	

**Required:** Prepare journal entries for Dotterel's investment in SeaMap on **April 1, through December 31, 2016**.

issue 30,000 shares of no-par, no-stated-value common stock (\$15 current fair value a share) for 80% shares of Irving Company's \$10 par common stock. Also on that date, Woody paid the following out-of-pocket costs for the business combination:

Finder's Fees	\$50,000
Costs associated with SEC registration statement	<u>70,000</u>
Total out-of-pocket costs for the business combination	120,000

Separate balance sheets of constituent companies on September 30, 2011, prior to the business combination, were as following:

Woody Corporation and Irving Company  
Separate Balance Sheet (Prior to business combination)  
September 30, 2011

	Woody Corporation	Irving Company
Assets		
Cash	\$250,000	\$150,000
Trade accounts receivable	300,000	270,000
Inventories	500,000	450,000
Plant Assets (net)	900,000	600,000
Total Assets	<u>\$1,950,000</u>	<u>1,470,000</u>
Liabilities and Stockholders' Equity		
Current Liabilities	\$410,000	\$360,000
Long-term debt	800,000	700,000
Common stock, no par or stated value	500,000	
Common stock, \$10 par		80,000
Additional paid in capital		400,000
Retained earnings	240,000	(70,000)
Total Liabilities and Stockholders' Equity	<u>\$1,950,000</u>	<u>1,470,000</u>

Current fair values of Irving's identifiable net assets were the same as their carrying amounts, except for the following:

	Current Fair Values
Inventories	650,000
Plant Assets	850,000
Long term debt	740,000

**Required:**

- Prepare journal entries for Woody Corporation on September 30, 2011, to record the business combination with Irving Company.
- Prepare working paper for consolidated balance sheet for Woody Corporation and subsidiary on September 30, 2011, and related working paper elimination (in journal entry format.)

**GOOD LUCK ...**



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Date: 16/1/2017

Note : The Exam in 4 Pages

Time: 3 hours

**Frist Question:-**

( 20 Marks )

In your answer sheet choose the correct answer for the following

- 1) One of the next is the reason for audit Planning
  - A) To obtain sufficient appropriate evidence for the circumstances.
  - B) To help keep audit costs reasonable.
  - C) To avoid misunderstanding with the client
  - D) All of above
- 2)..... is a measure of how willing the auditor is to accept that the financial statements may be materially misstated after the audit is completed and an unqualified opinion has been issued.
  - A) inherent risk.
  - B) acceptable audit risk.
  - C) statistical risk.
  - D) control risk.
- 3) one of the next is a major factor affecting acceptable risk
  - A) Likely statement users
  - B) keep costs reasonable
  - C) A and B
  - D) None of above
- 4) In what order should the following steps occur?
  1. assess client business risk
  2. understand the client's business and industry
  3. perform preliminary analytical procedures
  4. assess acceptable audit risk
  - A) 4, 2, 3, 1
  - B) 4, 3, 2, 1
  - C) 2, 4, 1, 3
  - D) 2, 1, 4, 3
- 5) ..... is the risk that the client will fail to meet its objectives.
  - A) client business risk.
  - B) control risk.
  - C) inherent risk.
  - D) audit risk.
- 6) Comparison of client ratios to industry or competitor benchmarks provides an indication of the company's performance
  - A) Analytical Procedures.
  - B) Test of control .
  - C) Test of details .
  - D) Test of transaction
- 7) ..... Major consideration in determining the appropriate audit report
  - A) audit risk.
  - B) Materiality .
  - C) Client risk
  - D) Control risk
- 8) ----- is used to set and apply materiality guidelines
  - A) Accounting Standards
  - B) Auditing Standards
  - C) Professional judgment
  - D) All of above

- 9) Most practitioners allocate materiality to -----
- A) Income Accounts
  - B) Balance Sheet Accounts
  - C) Cash Flow Accounts
- 10) Materiality is a ..... concept.
- A) Absolut
  - B) Relative
  - C) qualitative
  - D) All of above
- 11) .....the risk that audit evidence for a segment will fail to detect misstatements exceeding tolerable misstatement.:
- A) Inherent risk .
  - B) Planned detection risk.
  - C) Control risk.
  - D) Audit risk.
- 12) .....is the risk that the auditor or audit firm will suffer harm after the audit is finished.
- A) Inherent risk .
  - B) Planned detection risk.
  - C) Control risk.
  - D) Engagement risk
- 13) ) ..... focus on the ending general ledger balances for both balance sheet and income statement accounts
- A) Tests of controls.
  - B) Substantive tests.
  - C) Analytical procedures.
  - D) Tests of details of balances.
- 14) Which of the following is **not** one of the five classes of transactions included in the sales and collection cycle?
- A) Sales returns and allowances
  - B) Write-off of uncollectible accounts
  - C) Interest Income
  - D) Bad debt expense
- 15) A \_\_\_\_\_ is a document that indicates a request for merchandise by a customer.
- A) sales invoice
  - B) vendor invoice
  - C) customer order
  - D) sales order
- 16) An auditor is performing substantive tests of transactions for sales. One step is to trace a sample of debit entries from the accounts receivable master file back to the supporting duplicate sales invoices. What will the auditor intend to establish by this step?
- (A) Sales invoices represent existing sales.
  - (B) All sales have been recorded.
  - (C) All sales invoices have been correctly posted to customer accounts.
  - (D) Debit entries in the accounts receivable master file are correctly supported by sales invoices.
- 17) Which audit procedure is most effective in testing credit sales for overstatement?
- (A) Trace a sample of postings from the sales journal to the sales account in the general ledger.
  - (B) Vouch a sample of recorded sales from the sales journal to shipping documents.
  - (C) Prepare an aging of accounts receivable.
  - (D) Trace a sample of initial sales orders to sales recorded in the sales journal.



- 18) ) A \_\_\_\_\_ is a document that is matched with the customer order to assure that the correct quantity and type of goods are shipped.
- A) sales order
  - B) customer order
  - C) vendor invoice
  - D) sales invoice
- 19) ) Before goods are shipped on account, a properly authorized person must:
- A) approve the customer's credit..
  - B) approve the journal entry.
  - C) prepare the sales invoice
  - D) verify that the unit price is accurate
- 20) ) Most companies recognize sales revenue when:
- A) sales are invoiced.
  - B) goods are received by the customer.
  - C) goods are shipped.
  - D) Both B and C are correct, depending upon the company's revenue recognition policies.

**Second Question :**

**( 20 Marks)**

**The following are audit procedures taken from an audit program:**

1. Foot the accounts payable trial balance and compare the total with the general ledger.
2. Confirm accounts payable balances directly with vendors.
3. . Examine vendors' invoices to verify the ending balance in accounts payable.
4. Account for a sequence of checks in the cash disbursements journal to determine whether any have been omitted
5. Compare the balance in payroll tax expense with previous years. The comparison takes the increase in payroll tax rates into account.
6. Examine the internal auditor's initials on monthly bank reconciliations as an indication of whether they have been reviewed.
7. Examine vendors' invoices and other documentation in support of recorded transactions in the acquisitions journal.
8. Examine vendors' invoices and other supporting documents to determine whether large amounts in the repair and maintenance account
9. Multiply the commission rate by total sales and compare the result with commission expense. should be capitalized.
10. Discuss the duties of the cash disbursements clerk with him and observe whether he has responsibility for handling cash or preparing the bank reconciliation.

**Required**

- A. Indicate whether each procedure is a test of control, substantive test of transactions, analytical procedure, or a test of details of balances.
- B. Identify the type of evidence for each procedure..

**Third Question**

**(25 Marks)**

**Below are ten independent risk factors:**

1. The client lacks sufficient working capital to continue operations.
2. The client fails to detect employee theft of inventory from the warehouse because there are no restrictions on warehouse access and the client does not reconcile inventory on hand to recorded amounts on a timely basis.
3. The company is publicly traded.
4. The auditor has identified numerous material misstatements during prior year audit engagements.
5. The assigned staff on the audit engagement lack the necessary skills to identify actual errors in an account balance when examining audit evidence accumulated.
6. The client is one of the industry's largest based on its size and market share.
7. The client engages in several material transactions with entities owned by family members of several of the client's senior executives.
8. The allowance for doubtful accounts is based on significant assumptions made by management.
9. The audit plan omits several necessary audit procedures.
10. The client fails to reconcile bank accounts to recorded cash balances.

**Required**

Identify which of the following audit risk model components relates most directly to each of the ten risk factors: Acceptable audit risk , Inherent risk , Control risk , Planned detection risk

**Fourth Question**

**( 20 Marks)**

**The following is the auditor objectives for each procedure**

- 1.Existing sales transactions are recorded. (Completeness)
- 2.Recorded sales are for shipments actually made to existing customers. (Occurrence)
- 3.Recorded sales are for the amount of goods shipped. (Accuracy)
- 4.Sales transactions are properly included in the accounts receivable master file and are correctly summarized. (Posting and summarization)
- 5.Recorded sales returns are for returns from existing customers. (Occurrence)
- 6.Cash received is recorded in the cash receipts journal. (Completeness)
7. Cash receipts are recorded on the correct dates. (Timing)
8. Recorded receipts are for funds actually received by the company. (Occurrence)
9. Cash received is recorded in the cash receipts journal. (Completeness)
10. Cash receipts are deposited at the amount received. (Accuracy)

**Required : (in a Table )**

- 1- Identify which test can achieve each audit objectives (test of control or substantive test of transaction)
- 2- identify the type of evidence for each audit objective.

**DR. AYMAN SABRY**

Balance Sheet  
Eagle Company  
December 31, 2016

	<u>2016</u>	<u>2015</u>
<u>Assets:</u>		
Current Assets:		
Cash	\$ 50,450	\$ 28,538
Marketable Securities	25,000	20,500
Accounts Receivable, less allowance of \$10,000	60,000	50,000
Inventory, LIFO	90,000	70,000
Prepaid	<u>8,000</u>	<u>7,000</u>
Total Current Assets	\$233,450	\$176,038
Property, Plant, and Equipment:		
Land	9,000	8,000
Buildings and Equipment	<u>220,000</u>	<u>210,000</u>
	\$229,000	\$218,000
Less Accumulated Depreciation	<u>(68,000)</u>	<u>(60,000)</u>
Total Assets	<u>\$394,450</u>	<u>\$334,038</u>
<u>Liabilities and Shareholders' Equity:</u>		
Current Liabilities:		
Accounts Payable	\$ 35,000	\$ 30,000
Accrued Compensation	8,000	7,000
Income Taxes	<u>7,000</u>	<u>6,000</u>
Total Current Liabilities	\$ 50,000	\$ 43,000
Long-Term Debt	40,000	11,038
Shareholders' Equity:		
Common Shares	60,000	60,000
Retained Earnings	<u>244,450</u>	<u>220,000</u>
	<u>\$304,450</u>	<u>\$280,000</u>
Total Liabilities and Shareholders' Equity	<u>\$394,450</u>	<u>\$334,038</u>

Required:

Compute the following ratios for 2016:

- A. Accounts receivable turnover.
- B. Working capital.
- C. Current ratio.
- D. Acid-test ratio (conservative).

*With My Best Wishes*  
*Dr. Salah A. Hammad*

Kafrelsheikh University

Course Title: Financial Statement Analysis

Faculty: Commerce  
 Department: Accounting  
 Program: English Section-4<sup>th</sup> year  
 Semester: 1/ 2016-2017  
 Date: 12/01/2017



Instructor: Dr. Salah A. Hammad  
 Exam: Final  
 Time allowed: 3 Hours

Instructions to Students:

- The exam paper is 3 pages long.
- The exam consists of 4 questions.
- The maximum score is 85 marks.

**Q1**

**[20 Marks]**

Kafrelsheikh, a manufacturer of infants' blocks, presented the following data in its last annual report. This trend analysis begins with the year of formation, 2013.

	2016	2015	2014	2013
Sales	\$61,000	\$41,000	\$25,000	\$13,000
Cost of Sales	\$41,300	\$28,175	\$17,201	\$9,000
Net Income	\$9,919	\$6,412	\$3,850	\$2,000
Cases of Blocks Shipped	33,126	22,681	13,900	7,400

Required:

- A. Using 2013 as the base year, perform a horizontal, common-size analysis.
- B. Comment on the results of the horizontal analysis.

**Q2:**

**[20 Marks]**

The following is the Partial Income Statement for Falcon Company.

Falcon Company			
Partial Income Statement			
	2014	2015	2016
	(Base Year)		
Earnings before interest and tax	\$1,000,000	\$ 800,000	\$1,100,000
Interest	(200,000)	(200,000)	(200,000)
Earnings before tax	800,000	600,000	900,000
Income tax (40%)	(320,000)	(240,000)	(360,000)
Net income	<u>\$ 480,000</u>	<u>\$?????</u>	<u>\$?????</u>
Percentage change in net income		??? %	??? %
Percentage change in earnings before Interest and tax		??? %	??? %
Degree of financial leverage			

Required:

- A. Compute the degree of financial leverage?
- B. Compute the Percentage change in earnings before Interest and tax for 2015 and 2016?
- C. Compute the Percentage change in net income for 2015 and 2016?

**Q3:****[20 Marks]**

Lion, Inc. recorded the following profit figures in 2014–2015–2016.

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Net sales	\$30,500	\$25,600	\$22,900
Costs and expenses:			
Cost of products sold	\$12,600	\$10,300	\$ 8,350
Selling	7,875	5,025	4,580
General	2,950	2,325	2,150
Research and development	<u>4,100</u>	<u>3,190</u>	<u>2,840</u>
	<u>\$27,525</u>	<u>\$20,840</u>	<u>\$17,920</u>
Operating income	\$ 2,975	\$ 4,760	\$ 4,980
Other income (expense)	<u>525</u>	<u>(300)</u>	<u>(400)</u>
Earnings before tax	\$ 3,500	\$ 4,460	\$ 4,580
Income tax	<u>1,480</u>	<u>1,990</u>	<u>2,100</u>
Net income	<u>\$ 2,020</u>	<u>\$ 2,470</u>	<u>\$ 2,480</u>

**Required:**

- A. Compute the net profit margin for 2014–2015–2016.
- B. Compute the gross profit margin for 2014–2015–2016.
- C. Describe the trend in profitability and pinpoint its causes.

**Q4:****[25 Marks]**

Eagle Company's Balance Sheet and Income Statement for the Year Ended December 31, 2016, are given below.

**Income Statement**  
**Eagle Company**  
**For the Year Ended December 31, 2016**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Net sales	\$718,500	\$650,500	\$640,000
Cost of goods sold	<u>580,000</u>	<u>520,000</u>	<u>515,000</u>
Gross profit	<u>\$138,500</u>	<u>\$130,500</u>	<u>\$125,000</u>
Operating expenses:			
Selling, general, and administrative	\$ 71,000	\$ 67,000	\$ 65,000
Interest	<u>4,000</u>	<u>3,000</u>	<u>2,500</u>
	<u>\$ 75,000</u>	<u>\$ 70,000</u>	<u>\$ 67,500</u>
Earnings before income taxes	\$ 63,500	\$ 60,500	\$ 57,500
Income taxes	<u>30,000</u>	<u>29,000</u>	<u>28,000</u>
Net earnings	<u>\$ 33,500</u>	<u>\$ 31,500</u>	<u>\$ 29,500</u>

جامعة كفر الشيخ

**Kafr El-Sheikh University Faculty of Commerce**

**Tax Accounting**

**English section**

**Grade Four: Final Exam**

**Thursday 5-1-2017**

**Time allowed three hours**

**Answer the following questions**

**Question One**

1. Compare between the Juridical persons and natural persons with regard to the income tax.
2. Give some examples of Juridical person subject to income tax and those exempted from income tax and the reasons behind that.
3. Explain the Impact of errors or mistakes in Beginning Inventory, Ending Inventory, Purchases and Purchase Returns, Sales and Sales Returns, and Transactions with Related Persons on the tax base and how to correct such errors.
4. Discuss the taxable and non-taxable revenues of juridical persons.
5. The costs and expenses of Juridical persons must fulfill some conditions to be deductible according to the tax law 91/ 2005, discuss.
6. State briefly, some deductible and some un-deductible costs in juridical persons' tax law with justification.

**Question Two**

A Limited Liability Partnership consists of partner Emad (who is a general partner) and Abdu who is a limited liability partner). They share profits and losses equally. The company began its activity in 01/01/2016. The net profit extracted from the income statement was 220,000 pounds - which was prepared by the company - for the year ended 31/12/ 2016. And when examining the books and records of the company, shows the following:

1. The ending inventory did not include goods purchased in the amount of 75,000 pounds because they have not yet reached and is still on the way, and inventory include sold merchandise to a customer did not delivered to him in amounted 35,000 pounds.
2. The profit and loss account is debited with the following amounts:
  - 65,000 pounds truck depreciation expense owned by the company and depreciated at a rate 35% annually. And a new machine depreciated at a rate of 10% annually with cost of 500,000 pounds.

- 120,000 pounds salaries of employees of the company (monthly salaries 15,000 pounds).
  - 75,000 pounds salary for partner Emad for management.
  - 22,000 pounds interest on partners capital.
  - 40,000 pounds advertising campaign period of 3 years from 1.1.2016.
  - 40,000 pounds Provision for bad debts.
  - 35,000 pounds rent property used as the headquarters of the company (monthly rent 2,700 pounds).
3. Donations is charged for the profit and loss account by 36,000 pounds included:
- 16,000 pounds donations to KFS University,
  - 15,000 pounds donations for Al Wafaa charity (subject to supervision of government).
  - and the rest donations to some poor people.
4. Miscellaneous income included:
- 1,500 pounds for discount.
  - 1,800 pounds profit achieved by the company as a result of dealing in securities listed in the Egyptian stock market.

**Required:** Determine taxable net profit for the year 2016.

**Question Three**

Mohamed Aly company included a net profit of 320,000 pounds in the income statement during the year 2014 and when examining the elements of his account revealed the following:

- 1- Wages and salaries of employees were 70,000 pounds and examine the item turned out to be a 54,000 pound salary paid to employees noted that monthly salaries for workers of 5000 pounds, and remaining 16,000 pounds is the amount paid from the funds of the company to fund the working leaving indemnities.
- 2- Outstanding insurance was 31,000 pounds and turned out to be 15,000 pounds paid for insurance bids and tenders, 16,000 pounds as

the company's share in the social insurance for the company's employees.

- 3- The company bought computers and accounting software package with the aim of automating the company's accounts, and the cost of this hardware and software 30,000 pounds, fully loaded on income statement in the same year.
- 4- 25,000 pounds bad debts on a company's customers in the case of financial difficulty and threatened with bankruptcy, but the company has not taken any action to claim this debt.
- 5- 20,000 pounds is a compensation ruling by the company due to an accident of company car caused by the driver, who was remanded in custody this issue, because it was his fault, and the company has been viewed to take such compensation without reference to the driver and instead of incarceration.
- 6- Appeared depreciation at 30,000 pounds for machines, and found that it was calculated at 10% annually based on the acquisition cost of these machines that equals 300,000 pounds. Was evident from examination that the acquisition cost of machinery representing 100,000 pounds, in addition to 200,000 pounds acquisition cost of a new machine started production with the beginning of this year, with the knowledge that accumulated depreciation for machines in the first year and approved from tax of 50,000 pounds, and the tax rate for depreciation of machinery approved is 25%.
- 7- 60,000 pounds donations paid for the Institute of Technology at the University of Tanta, also 25,000 pounds donations paid for the Red Crescent Hospital.

**Required:** Determine taxable net profits in the light of the application of the provisions of law 91 of the year 2005.

**Question Four**

Discuss briefly, the main elements of the Value-Added-Tax with special focus on the accounting aspects.

**End of the exam with my best wishes&**