Kafrelsheikh University	Advanced Financial Accounting	January 2015
Faculty of Commerce	Fourth Academic Year	Time: 3 Hours
English Section	Final Exam	Dr. Mohamed Srour

Answer the following questions:

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

Denton Corporation (the Survivor) agreed to pay $500,000 cash and issue 30,000 shares of its $15 par common stock ($20 current fair value a share) on September 30, 2014, 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	$ 30,000
Finder's Fees	70,000
Costs associated with SEC registration statement	50,000
Total out-of-pocket costs for the business combination	150,000

The balance sheet of Irving Company on September 30, 2014 with related current fair values, was as following:

Irving Company
Balance Sheet (Prior to business combination)
September 30, 2014
Assets

	Carrying Amounts	Current Fair Values
Cash	$150,000	$150,000
Trade accounts receivable	100,000	100,000
Inventories	500,000	550,000
Plant Assets (net)	1,000,000	1,150,000
Total Assets	$1,750,000	
Liabilities and Stockholders' Equity		
Current Liabilities	$350,000	$350,000
Long-term debt	400,000	450,000
Common stock, $2 par	500,000	
Additional paid in capital	200,000	
Retained earnings	300,000	
Total Liabilities and Stockholders' Equity	$1,750,000	

Required:

Prepare journal entries for Denton Corporation on September 30, 2014, to record the business combination with Irving Company.

Question (2): **[40 min.-20*marks*]**

Apple Corporation saw the potential for vertical integration and purchases a 10% interest in Sony Corp. on January 1, 2013, for $300,000. At that date, Sony's stockholders' equity included $700,000 of $10 par value common stock, $800,000 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 December 31, 2014, before receipt of the year's dividends from Sony, Apple paid $700,000 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 2013 and 2014 were as follows:

	2013	2014
Net income	$500,000	$700,000
Dividends	$40,000	$50,000

Required:

1. Prepare journal entries for Apple Corporation to account for its investment in Sony Corporation for 2013 and 2014.

2. Calculate the balance of Apple's investment in Sony at December 31, 2014

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

Dotterel Corporation paid $200,000 cash for 40% of the voting common stock of Swamp Land Inc. on **October 1, 2011**. Swamp reports net income of $120,000 for the year ended **December 31** and declares $20,000 dividends on **July 1**. Book value and fair value information for Swamp on **January 1, 2011** is as follows:

	Book Values	Fair Values
Assets		
Cash	$60,000	$60,000
Inventories	80,000	80,000
Plant Assets (20 years)	120,000	160,000
Equipment (10 years)	340,000	400,000
	$ 600,000	$ 700,000
Liabilities & Equities		
Accounts payable	$200,000	$200,000
Note payable	120,000	120,000
Capital stock	200,000	
Retained earnings	80,000	
	$600,000	$300,000

Required: Prepare journal entries for Dotterel's investment in Swamp Land on **October 1, and December 31, 2011**.

Question (4): **[60 min.-25*marks*]**

On September 30, 2011,Woody Corporation agreed to pay $100,000 cash and issue 30,000 shares of no-par, no-stated-value common stock ($15 current fair value a share) for 8,000 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	70,000
Total out-of-pocket costs for the business combination	120,000

Separate balance sheets of constituent companies on September 30, 201, prior to the business combination, ware 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	$1,950,000	1,470,000
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	$1,950,000	1,470,000

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:

a. Prepare journal entries for Woody Corporation on September 30, 2011, to record the business combination with Irving Company.

b. Prepare working paper for consolidatedbalance sheet for Woody Corporation and subsidiary on September 30,2011, and related working paperelimination (in journal entry format.)

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Kafr-elsheikh University	Cost Systems	January 2015
Faculty of Commerce	Fourth Academic Year	Time: 3 Hours
English Section	Final Exam	Dr. Mohamed Srour

Unsupported Personality: PCL

Answer the following questions:

Question (1): **[80 min.-30 *marks*]**

Windsor Corporation, began operations on October 1. It employs a job-order costing system. Overhead is charged at a normal rate of $2.50 per direct labor hour. The actual operations for the month of October are summarized as follows:

a. Purchases of raw material, 25,000 pieces @ $1.20/piece.
b. The direct labor wage rate is $2 per hour.
c. Material and labor hours charged to production:

Job No.	Units	Material	Direct labor hours
101	10,000	$4,000	3,000
102	8,800	3,600	2,700
103	16,000	7,000	4,500
104	8,000	3,200	2,400
105	20,000	8,000	1,800

d. Actual overhead costs incurred $33,500
e. Completed jobs: 101, 102, 103, and 104
f. Sales-$105,000. All units produced on Jobs 101, 102, and 103 were sold.

Required:

1) Determine the underapplied or overapplied overhead.(assume it is immaterial)

2) prepare Job Order Cost Sheet for each job order.

3) Using (T) accounts, Determine each of the following:

- the cost of jobs completed.
- the cost of jobs sold.
- gross profit.

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

Borel Company produces three products from the same process and incurs joint processing costs of $90,000.

Product	Gallons	Sales price per gallon at split-off	Further processing costs	Final sales price per gallon
X	10,000	10	5	25
Y	30,000	8	3	13
Z	2,000	5	-	-

- Product (Z) is considered a by-product of the process , and Borel accounts for it using production method.

Required: Allocate the joint cost based on approximated net realizable value split-off.

Question (3): **[80 min.-35 *marks*]**

The following information is available for Winthrop Company for March of the current year. All materials are added at the start of production.

Beginning Work in Process: (80% complete)	8,000 units
Started	35,000 units
Normal shrinkage (continuous)	6,000 units
Ending Work in Process: (55% complete)	15,000 units
Transferred out	19,500 units
Beginning Work in Process Costs:	
Material	$ 14,000
Conversion	45,000
Current Costs:	
Material	72,500
Conversion	143,100
Total Costs	$ 215,600

Required: Prepare a cost of production report for March using FIFO

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