

YLEISEN TENTIN TENTTILOMAKE - GENERAL EXAM FORM

Opiskelija täyttää / Student fills in

Opiskelijan nimi / Student name: Click here to enter text.	Opiskelijanumero / Student number: Click here to enter text.
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Opettaja täyttää / Lecturer fills in

Opintojakson koodi / The code of the course: 721137S	
Opintojakson (tentin) nimi / The name of the course or exam: International Financial Reporting	
Opintopistemäärä / Credit units: 6 Mikäli kyseessä on välikoe, opintopistemääräksi täytetään 0 op. 0 ECTS Credits is used for mid-term exams.	
Tiedekunta / Faculty: Oulu Business School	
Tentin pvm / Date of exam: 21.11.2018	Tentin kesto tunteina / Exam in hours: 3 h
Tentaattori(t) / Examiner(s): Anna Rossi	Sisäinen postiosoite / Internal address: 6OyKKK
Tentissä sallitut apuvälineet / The devices allowed in the exam: <input checked="" type="checkbox"/> Funktiolaskin / Scientific calculator <input type="checkbox"/> Ohjelmoitava laskin / Programmable calculator <input type="checkbox"/> Muu tentissä sallittu materiaali tai apuvälineet. Tarkenna alla. / Other material or devices, allowed in the exam. Specify below. Click here to enter text. <input type="checkbox"/> Tentissä ei ole sallittua käyttää apuvälineitä / The devices are not allowed in the exam	
Muut tenttiä koskevat ohjeet opiskelijalle (esimerkiksi kuinka moneen kysymyksen opiskelijan tulee vastata) / Other instructions for students e.g. how many questions he/she should answer: Click here to enter text.	

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Tentin kysymykset / Exam questions:

1.

An excerpt from Twitter's financial statements 2015 appears below. Explain the following:

What is the rationale for this rule? Explain how it works and provide necessary journal entries. Under what scenario Twitter would *not* be able to capitalize the interest of \$5.0 million in 2015? How can this rule complicate financial ratio analysis?

Capitalization of Interest

Interest costs is capitalized for assets that are constructed for the Company's own internal use, this includes internally developed software and property and equipment, for the period of time to get them ready for its intended use. During the year ended December 31, 2015, the Company capitalized \$5.0 million of interest expense. Capitalized interest was not material in 2014. No interest was capitalized in 2013.

2.

Explain why firms are required to provide the following disclosures. Further, explain what type of information companies should disclose in each case.

- Events after reporting period.
- Segment reporting.
- Related party transactions.

3.

E 9-7

Computing work-in-process inventory from balance sheet and income statement information (LO 1, 4)

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On June 30, 2011, a tornado damaged Jensen Corporation's warehouse and factory completely destroying the work-in-process inventory. Neither the raw materials nor finished goods inventories were damaged. A physical inventory taken after the tornado revealed the following valuations:

Raw materials	\$ 87,000
Work-in-process	0
Finished goods	<u>151,000</u>
	<u>\$238,000</u>

The inventory of January 1, 2011, consisted of the following:

Raw materials	\$ 41,000
Work-in-process	128,000
Finished goods	<u>173,000</u>
	<u>\$342,000</u>

A review of the books and records disclosed that the gross profit margin historically approximated 28% of sales. The sales total for the first six months of 2011 was \$405,000. Raw material purchases totaled \$150,000. Direct labor costs for this period were \$112,000, and manufacturing overhead has historically been applied at 50% of direct labor.

Required:

Compute the value of the work-in-process inventory lost at June 30, 2011. Show supporting computations.