

YLEISEN TENTIN TENTTILOMAKE - GENERAL EXAM FORM

Opiskelija täyttää / Student fills in

Opiskelijan nimi / Student name: Click here to enter text.	Opiskelijannumero / Student number: Click here to enter text.
--	---

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: 09.01.2019	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.	

09.01.2019 International Financial Reporting exam.

- Describe conventions for balance sheet measurements according to the IFRS framework. Illustrate how these conventions apply to assets using specific topics covered during the course (e.g., long-lived assets, inventory, receivables, tax reporting). Which of the measurement conventions is most/least relevant? Which one is most/least representationally faithful? Why?

2.

Avillion Corporation had a \$45,000 debit balance in Accounts receivable and a \$3,500 credit balance in Allowance for uncollectibles on December 31, 2011. The company prepared the following aging schedule to record the adjusting entry for bad debts on December 31, 2011.

P 8 - 3

Determining allowance for uncollectibles (LO 1)

Age of Receivables	Amount	Expected Bad Debts
0-30 days old	\$30,000	5%
31-90 days old	10,000	11
Over 90 days old	5,000	30

- On January 1, 2012, the company learned that one of its customers (Smith Corporation), which owed \$2,000, had filed for bankruptcy and could be unable to pay the amount due.
- On March 1, 2012, Smith Corporation's bankruptcy was finalized and the bankruptcy court notified all of its creditors (including Avillion Corporation) that Smith Corporation will pay 60 cents on the dollar for the amount owed to its creditors.
- On May 7, 2012, Avillion Corporation received a check from Smith Corporation for the amount indicated by the court.

Required:

- Provide journal entries to record the preceding transactions in Avillion's books. In addition, using the following table format, show the effects of each transaction on the following financial statement items. Clearly indicate the amount and the direction of the effects (use "+" for increase, "-" for decrease, and "NE" for no effect).

	Assets	Liabilities	Net Income	Cash Flow from Operations
--	--------	-------------	------------	---------------------------

Direction of effect

Dollar amount of effect

- Assume that Avillion had instead prepared the following aging schedule on December 31, 2011:

Age of Receivables	Amount	Expected Bad Debts
0-30 days old	\$30,000	3%
31-90 days old	10,000	8
Over 90 days old	5,000	22

Redo requirement (1) using the revised aging schedule.

3.

Mozart Inc.'s \$98,000 taxable income for 2011 will be taxed at the 40% corporate tax rate. For tax purposes, its depreciation expense exceeded the depreciation used for financial reporting purposes by \$27,000. Mozart has \$45,000 of purchased goodwill on its books; during 2011, the company determined that the goodwill had suffered a \$3,000 impairment of value for financial reporting purposes. None of the goodwill impairment is deductible for tax purposes. Mozart purchased a three-year corporate liability insurance policy on July 1, 2011, for \$36,000 cash. The entire premium was deducted for tax purposes in 2011.

P 13-12

Converting from taxable
income to book income
(LO 2, 4)

Required:

1. Determine Mozart's pre-tax book income for 2011.
2. Determine the changes in Mozart's deferred tax amounts for 2011.
3. Calculate tax expense for Mozart Inc. for 2011.

$$\begin{array}{r} 98,000 \\ + 27,000 \\ \hline 125,000 \\ - 36,000 \\ \hline 89,000 \end{array}$$

98 000

+ 27 000

125 000 -

= 89 000

