

YLIOPISTOTENTTI - UNIVERSITY EXAM

Opiskelijan nimi / Student name:	Opiskelijanumero / Student number:
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Opettaja täyttää / Lecturer fills in:

Opintojakson koodi and nimi / The code and the name of the course: Koodi / Code 721138S Tentin nimi / Exam name Fundamentals of Accounting	
Tiedekunta / Faculty: OyKKK	
Tentin pvm / Date of exam: 9.12.2019	Tentin kesto tunteina / Exam in hours: 3 h
Tentaattori(t) / Examiner(s): Hannele Kantola ja Anna Rossi	Opintopistemäärä / Credit units: 6
	Sisäinen postios. / Internal address: 6 OyKKK
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 materiaali, tarkennettu alla / Other material, specified below:	
Tenttiin vastaaminen / Please answer the questions: <input checked="" type="checkbox"/> Suomeksi / in Finnish <input checked="" type="checkbox"/> Englanniksi / in English Suomenkielisessä tutkinto-ohjelmassa olevalla opiskelijalla on oikeus käyttää arvioitavassa opintosuorituksessa suomen kieltä, vaikka opintojakson opetuskieli olisi englanti. Tämä ei koske vieraan kielen opintoja. (Kts. <u>Koulutuksen johtosääntö 18 §</u>) In a Finnish degree programme a student has a right to use Finnish language for their study attainment, even though the language of instruction is English, (excluding language studies) even when the language of instruction is other than Finnish. (See <u>the Education Regulations 18 §</u>)	
Kysymyspaperi on palautettava / Paper with exam questions must be returned: <input checked="" type="checkbox"/> Kyllä / Yes <input type="checkbox"/> Ei / No	

This test has four questions and a maximum of 40 points. Please use complete sentences when answering the essay questions (no bullets, lists etc.)! Do not write on this exam paper, but provide your answers in the answer sheet.

1) Alternative allocation bases for a professional services firm (Bhimani et al., 2019) (10 points)

Germinal et Associés provides tax advice to multinational firms. Germinal charges clients for a) direct professional time (at an hourly rate) and b) support services (at 30 of the direct professional costs billed). The three professionals in Germinal and their rates per hour are:

<u>Professional</u>	<u>Billing rate per hour</u>
Thérèse Raquin	€500
Jeanne Rozerot	120
Claude Bernard	80

Germinal has just prepared the May 2018 bills for two clients. The hours spent on each client are as follows:

<u>Hours per client</u>		
<u>Professional</u>	<u>Fortune Plassans</u>	<u>Au Bonheur de Dames</u>
Raquin	15	2
Rozerot	3	8
Bernard	<u>22</u>	<u>30</u>
Total	40	40

1. What amounts did Germinal bill to Fortune Plassans and Au Bonheur des Dames for May 2018?
2. Suppose support services were billed at €50 labour-hour (instead of 30 % of labour costs). How would this change affect the amounts Germinal billed to the two clients for May 2018? Comment on the differences between amounts billed in requirements 1 and 2.
3. How would you determine whether labour costs or labour-hours is the more appropriate allocation base for Germinal's support services?

2) Explain briefly (Bhimani et al., 2019) (10 points)

- a) The accounting should provide information for five broad purposes. Describe them.
- b) In process costing, why are costs often divided into two main classifications?

(Continues on the next page)

3)

Assume you purchase a car for €36,000 and start a taxi business. You plan to operate the business for 3 years and expect to sell the car for €15,000 euros at the end of year 3. You decide to depreciate the car using sum-of-years' digits depreciation method.

By the end of year 1, you estimate that the business will generate 10,000 euros of net cash flows per year and you expect to sell the car for €15,000 euros at the end of year 3. Assume that the appropriate discount rate is 5%.

- a) At the end of year 1, a local car dealer sells similar cars for 26,000 euros. What will be the carrying value of the car on the balance sheet of your company?
- b) How would you answer change if you use straight-line method of depreciation instead of sum-of-years' digits?

4)

Describe criteria for revenue recognition over time and at a point of time.