Answer the following questions and use the relevant graphs:

First: Write a short notice about the following statements: (40 M.)
1) Public finance and ideology.
2) The allocation of resources between government and private use.
3) The role of government in the economic activity.
4) Indifference curve as a tool of measuring the economic welfare.
5) Public goods and the several aspects related to these goods.

Second:
1) Explain “Pareto Improvement” and the first fundamental theorem of welfare economics. (15 M.)
2) What is measuring of externalities, and what are its characteristics, and types, and how these externalities are internalized? (25 M.)

Third: What is the difference between statutory incidence and economic incidence of taxes diverge? (20 M.)

Good Luck
Answer the following questions: **3 Pages, 3 Questions**

**Question one (30 Points/ 40 minutes)**

Q(1-1): State whether each of the following statements is True (T) or False (F)

1. Risk exists when the probability of loss is either zero or 100 percent.
2. Insurance involves a large group of people or organizations who are exposed to different risks.
3. A deductible is a provision by which a specified amount is added to the total loss payment.
4. Named perils policy is generally preferable to all-risks policy
5. The principle of utmost good faith is supported by two important legal doctrines: representations and warranty.
6. Loss control represents those efforts designed to minimize the overall frequency and size of outcomes.
7. The insured should have no control or influence over the event to be insured.
8. Under a facultative arrangement, both the original insurer and the reinsurer applied case-by-case basis.
9. Riders and endorsements are used to amend insurance contracts.
10. An insurance contract must meet four basic requirements such as offer and acceptance.
11. Bailment is a method of transferring risk through contractual arrangements.
12. Without reinsurance, small companies would find it much more difficult to compete with larger ones.
13. The insurer, in section of definitions, is referred to as “we”.
14. For low frequency and high severity losses, reduction and transfer are effective ways to minimize risk.
15. The expression $10q_{25}$ means that probability that a person of age 25 will die before age 35.
16. The company transferring risk is called the ceding insurer, and the company assuming risk is the reinsure.
17. Perils are the causes of loss.
18. The expression $5L_{30}$ means total number of person-years lived by the cohort from age 30 to 35.
19. The purpose of the principle of indemnity is to reduce moral hazard.
20. Location, construction, and use represent physical hazards that affect property.

Mohamed Ali
Q(1-2): Define each of the following:
1- The risk
2- The insurance

**Question two (30 Points/ 60 minutes)**
Q(2-1): Nour owns a commercial firm that is insured under three property insurance contracts:
Company A with $50,000 in 15/7/2007
Company B with $100,000 in 12/9/2007
Company C with $150,000 in 18/1/2008
Under the pro rata liability and coinsurance clauses, how much will Nour collect from each insurer and what is Nour's liability for this loss? if:

a- The actual cash value of the building at the time of loss is $400,000. The building is damaged by fire to extent of $100000 in 25/1/2008
b- The actual cash value of the building at the time of loss is $300,000. The building is damaged by fire to extent of $90000 in 22/11/2007

Q(2-2): Assume that three business owners each own an identical storage building valued at $45,000. Assume there is a 10 percent chance in any year that each building will be destroyed by a peril, and that a loss to either building is an independent event.
1- Find the expected loss and SD for each owner?
2- Suppose instead of bearing the risk of loss individually, the two owners decide to pool (combine) their loss. Find the expected loss and SD for each owner?
3- Suppose instead of bearing the risk of loss individually, the three owners decide to pool (combine) their loss. Find the expected loss and SD for each owner?
4- From the results of (1), (2), and (3), what is your comment?

**Question three (40 Points/ 80 minutes)**
Q(3-1): If you have the following data about number of persons alive at the different ages (x_i):
\[ l_0 = 10000, \quad l_1 = 8750, \quad l_5 = 7530, \quad l_{10} = 6860 \]
\[ l_{20} = 5910, \quad l_{30} = 5190, \quad l_{40} = 4440, \quad l_{50} = 3150 \]
\[ l_{60} = 2020, \quad l_{70} = 1280, \quad l_{80} = 435, \quad l_{90} = 0 \]
**Required:**
1- Construct a life table with commutation functions (the interest rate is 7%)
**Question 1 (20 marks):**

El Qenawy Company has the following information for the year 2015:

1- Sales for the year were $4,000,000.
2- Inventories were as follows:

<table>
<thead>
<tr>
<th></th>
<th>1/1/2015</th>
<th>31/12/2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raw materials inventory</td>
<td>$540,000</td>
<td>$561,000</td>
</tr>
<tr>
<td>Work-in-process inventory</td>
<td>$500,000</td>
<td>$452,700</td>
</tr>
<tr>
<td>Finished goods inventory</td>
<td>$980,000</td>
<td>$900,000</td>
</tr>
</tbody>
</table>

3- The company purchased materials for the year equal to $1,440,000.
4- Costs for the period were as follows:
   a. Total materials put into production (20% indirect) ??
   b. Total labour costs (75% direct) $820,000
   c. Office salaries amounted to $240,000 and electricity was $100,000.
   d. Total Factory overhead 100% of direct materials

5- Selling expenses were $400,000.
6- General and administrative expenses were $340,000.
7- 400,000 units were produced during the year.

**Required:**

a) Prepare the cost of goods manufactured statement.
b) Prepare the cost of goods sold statement.
c) Compute the net income or loss.
d) Compute the following:
   1- Prime costs
   2- Conversion costs
   3- Product costs
   4- Period costs
   5- Unit cost
Question 2 (25 marks):
The direct materials beginning inventory, purchases, and issuance for 2015 at SVU corporation were as follows:

<table>
<thead>
<tr>
<th>Date</th>
<th>Units purchased</th>
<th>Total purchase costs</th>
<th>Units issued to Job 101</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening inventory</td>
<td>5000</td>
<td>130000</td>
<td></td>
</tr>
<tr>
<td>02-Mar</td>
<td>6550</td>
<td>183400</td>
<td></td>
</tr>
<tr>
<td>09-May</td>
<td>---</td>
<td>---</td>
<td>5900</td>
</tr>
<tr>
<td>11-Jul</td>
<td>4640</td>
<td>139200</td>
<td></td>
</tr>
<tr>
<td>01-Sep</td>
<td>---</td>
<td>---</td>
<td>3050</td>
</tr>
<tr>
<td>06-Oct</td>
<td>3810</td>
<td>121920</td>
<td></td>
</tr>
<tr>
<td>17-Dec</td>
<td>---</td>
<td>---</td>
<td>2300</td>
</tr>
</tbody>
</table>

Required:
a- Assuming that the company uses periodic inventory system, calculate the cost of DM used and the ending materials inventory using the following methods:
   1- Specific identification (Assume that issues on May 9 came from the purchase of March 2; issues on September 1 came from the purchase of July 11; the issues of December 17 came from beginning inventory).
   2- Simple average cost.
b- Assuming that the company uses perpetual inventory system, calculate the cost of DM used and the ending materials inventory using the weighted average method.

Question 3: (25 Mark)
El-Sheik Issa Corporation accumulated the following payroll data for the week ending September 13:

<table>
<thead>
<tr>
<th>Employees</th>
<th>Hours worked</th>
<th>Base rate per hour</th>
</tr>
</thead>
<tbody>
<tr>
<td>Abanob</td>
<td>42</td>
<td>8</td>
</tr>
<tr>
<td>Adham</td>
<td>54</td>
<td>10</td>
</tr>
<tr>
<td>Saeed</td>
<td>50</td>
<td>10</td>
</tr>
<tr>
<td>Amira</td>
<td>35</td>
<td>12</td>
</tr>
<tr>
<td>Samar</td>
<td>42</td>
<td>13</td>
</tr>
</tbody>
</table>

Additional information:
1- The union contract requires that employees receive time and a half for any hours worked above 42 hours per week.
2- The union contract requires that employees receive a minimum guaranteed wage equals to 38 hours multiplied by the base rate per hour.
3- Mr Abanob worked the night shift and will receive an additional $ 3 per hour above his $ 8 base rate. He worked the entire week on Job 1.
4- Mr Adham worked 36 hours on Job 2 and 18 hours on Job 3. Mr Mohamed overtime resulted from the random scheduling of too many jobs.
5- Mr Saeed had to work overtime because he had to correct his own poor workmanship on Job 4.
6- Ms Amira worked the entire week on Job 5 and received the guaranteed minimum wage equals $456 (38 hours X 12 per hour).
7- Ms Samar is a sales person and worked the entire week in the sale department.
8- Social security taxes withheld for all employees are $ 100.
9- Income taxes withheld for all employees are $ 120.

**Required:**
Prepare journal entries to record the following for the week of May 17:

a) The payroll
b) The employee taxes and pay the payroll

**Question 4: (30 Mark)**
Surrey Co. has three service departments (S1, S2, and S3) and two production departments (P1 and P2). The following information has been prepared for the year 2015:

<table>
<thead>
<tr>
<th>Department</th>
<th>Budgeted costs</th>
<th>Square feet</th>
<th>Total labor hours</th>
</tr>
</thead>
<tbody>
<tr>
<td>S1</td>
<td>$ 120,000</td>
<td>1,500</td>
<td>100,000</td>
</tr>
<tr>
<td>S2</td>
<td>$ 96,000</td>
<td>2,000</td>
<td>300,000</td>
</tr>
<tr>
<td>S3</td>
<td>$ 104,000</td>
<td>1,000</td>
<td>200,000</td>
</tr>
<tr>
<td>P1</td>
<td>$ 1,500,000</td>
<td>4,000</td>
<td>300,000</td>
</tr>
<tr>
<td>P2</td>
<td>$ 1,700,000</td>
<td>3,000</td>
<td>400,000</td>
</tr>
<tr>
<td>Total</td>
<td>$ 3,520,000</td>
<td>11,500</td>
<td>1300,000</td>
</tr>
</tbody>
</table>

The costs of the service departments S1 and S2 are allocated on the basis of square feet and total labour hours, respectively.
The costs of the service department S3 are allocated on the basis of percentage of services rendered: 60% for P1, and 40% for P2.

**Required:**

**Using the step method:**
1- Allocate the total costs of the service departments to the producing departments (Allocate S1 first, then S2, and finally S3).
2- Compute the factory overhead application rates for the producing departments. The bases used are direct labor hours with 200,000 estimated for P1 and 300,000 estimated for P2.
3- Prepare the journal entry to record the applied factory overhead for department P1 given that the actual direct hours for the month of March was 50,000 hours..
4- Compute the over- or underapplied factory overhead for department P1 if the actual factory overhead for department P1 was $ 500,000 for the month of March.
5- Prepare the journal entries to record the actual factory overhead and the over- or underapplied factory overhead (closing the FOH control and FOH applied accounts).
6- Close the over- or underapplied factory overhead account to the Cost of Goods Sold account.

*With Best Wishes*
*Dr. Mohamed Shabeeb*
Answer the following questions:

**Question One (30 Marks / 40 minutes)**
An employee is working in a private sector company gets L.E.2000 monthly as a basic salary in addition to the following:
- L.E. 400 monthly as nature of work allowance; L.E. 800 monthly as overtime; 50% of basic salary as production incentives; L.E. 300 monthly as Representation allowance; L.E. 500 monthly boarding allowance; L.E.600 travel allowance.
- On 1/7 the employee got L.E. 100 as a periodical raise (added to basic salary). On the same date the company gave him a car its monthly expenses are L.E. 800 while stopping the travel allowance.

**Additional Information:**
2. The employee paid L.E. 200 monthly from the beginning of the year against life insurance premium in favour his wife and minor children.
3. The employee is subscribing in the company’s pension fund against deducting L.E. 300 monthly from his salary.
4. He bought some electrical devices from Omarafandi for his daughter against deducting L.E. 500 from his salary each month.
5. There was 3 days deducted from September salary as an administrative penalty.
6. He got L.E. 5000 at the end of December as his share on profits.

**Required**
1- Calculate the monthly deductible tax.
2- Calculate the tax due on share on profits.

**Question Two (30 Marks / 40 minutes)**
An Egyptian CPA submitted the following information regarding his private accounting and auditing project for the year ended December, 31, 2015:

**First: Receipts**
- L.E. 50,000 accounting and auditing fees noting that this amount includes L.E. 10,000 due for workings performed in 2014; L.E. 30,000 tax declarations fees; L.E. 38,000 fees for designing an AIS system from a public sector company after deducting L.E. 2000 against tax; L.E.5000 monthly collected fees against designing a cost information system noting that the company collected the fees of January 2016 in advance; L.E. 4000 gains from selling a typewriter; L.E. 2000 brokerage commission; L.E. 5,000 advertisement revenue on the office frontage for two years 2015 and 2016.
Second: Disbursements
- L.E. 33,000 salaries for office assistants, noting that the monthly salaries are L.E.3000; L.E. 3700 subscriptions on commercials syndicate out of which L.E. 1500 subscriptions in syndicate pension fund; L.E. 13200 fixed assets depreciation; L.E. 19000 general and administrative expenses; L.E. 15,000 undocumented expenses; L.E. 5000 donations for Qena Public Hospital; L.E. 150 monthly life insurance premium for the favor of his wife.

Required: **Determine the taxable revenues on non-commercial profits for 2015 assuming that the taxpayer keeps regular books.**

**Question Three (30 Marks / 40 minutes)**
The following is the income statement for an Egyptian sole proprietorship for the year ended 31/12/2015:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales</td>
<td>1,000,000</td>
</tr>
<tr>
<td>(-) Cost of goods sold</td>
<td></td>
</tr>
<tr>
<td>Beg. Inventory</td>
<td>100,000</td>
</tr>
<tr>
<td>+ Net Purchases</td>
<td>300,000</td>
</tr>
<tr>
<td>Cost of goods available for sale</td>
<td>400,000</td>
</tr>
<tr>
<td>(-) Ending Inventory</td>
<td>140,000</td>
</tr>
<tr>
<td>Gross profit</td>
<td>260,000</td>
</tr>
<tr>
<td>740,000</td>
<td></td>
</tr>
<tr>
<td>Less:</td>
<td></td>
</tr>
<tr>
<td>Salaries and Wages</td>
<td>110,000</td>
</tr>
<tr>
<td>Depreciation Expenses</td>
<td>74,000</td>
</tr>
<tr>
<td>General and Administrative Expenses</td>
<td>70,000</td>
</tr>
<tr>
<td>Advertising Expenses</td>
<td>120,000</td>
</tr>
<tr>
<td>Reserves</td>
<td>56,000</td>
</tr>
<tr>
<td>Interest Expenses</td>
<td>36,000</td>
</tr>
<tr>
<td>Allowed Discount</td>
<td>10,000</td>
</tr>
<tr>
<td>Insurance</td>
<td>96,000</td>
</tr>
<tr>
<td>Donations</td>
<td>80,000</td>
</tr>
<tr>
<td>Compensations</td>
<td>40,000</td>
</tr>
<tr>
<td>692,000</td>
<td></td>
</tr>
<tr>
<td>48,000</td>
<td></td>
</tr>
<tr>
<td>Add:</td>
<td></td>
</tr>
<tr>
<td>Revaluation Profits</td>
<td>22,000</td>
</tr>
<tr>
<td>Interest on deposits</td>
<td>20,000</td>
</tr>
<tr>
<td>90,000</td>
<td></td>
</tr>
<tr>
<td>Less:</td>
<td></td>
</tr>
<tr>
<td>Capital Losses on sale of building</td>
<td>15,000</td>
</tr>
<tr>
<td>Previous Years Losses</td>
<td>10,000</td>
</tr>
<tr>
<td>Net Profits</td>
<td>65000</td>
</tr>
</tbody>
</table>
Additional Information:

1. There are goods sold through an agent for L.E.40,000 not recorded among sales noting that the sales commission (not recorded) is 5% of sales.
2. Sales are recorded with net value (after deducting allowed discount).
3. The company recorded purchases returns its value L.E. 20,000 at its total value nevertheless these goods were purchased with 10% trade discount.
4. The company used to evaluate ending inventory at cost or market whichever is less. This year market value was less than cost by 20%.
5. Salaries and wages include L.E. 2000 monthly salary for the owner’s son who is a full time student at SVU University, L.E. 6000 bonus for the firm’s owner; the remaining is employees’ paid salaries noting that the employee’s monthly salaries are L.E. 8000.
6. Depreciation expenses include L.E. 10,000 the depreciation of a building the company bought on 1/7/2010 for 200,000 and sold on 1/7/2015 for L.E. 135,000. The reaming is machines depreciation noting that the machines book value on 1/1/2015 was 100,000 and the company purchased a new machine on 1/10/2015 for L.E. 40,000 and sold one of its depreciated machines for L.E. 10,000.
7. 50% of the general & administrative expenses are undocumented.
8. Advertising expenses include L.E. 1000 paid monthly for a periodical advertising that was published in a monthly local newspaper for the period from 1/7/2015 till 31/12/2015; L.E. 6000 for condolence advertising in Al-Ahram newspaper for the death of owner’s mother in law; the reaming for an advertising campaign that will benefit the company for 5 years starting from 1/1/2016.
9. Interest expenses include L.E.6000 for a loan the company got from one of the owner’s friends; L.E.10,000 interest on capital. The remaining is for a loan its value is L.E.200,000, the co. got form Bank Misr on 1/7/2014, noting that the Central Bank Approved interest rate is 7%.
10. Insurance includes L.E.2000 monthly against theft and fire (starting from 1/3/2015), L.E.14,000 the company’s share on social security subscription, L.E.4000 life insurance policy, L.E.5000 insurance for a governmental bid, the remaining are amounts deducted for employees’ pension fund.
11. Donations include L.E. 20,000 for South Valley University, L.E. 5,000 for Bank Nasir, 10,000 for a registered charity in Qena, the remaining for the orphans of an employee who was dead during work.
12. The company did not include L.E. 10,000 recovered bad debts noting that these debts had been previously approved in full by tax administration.
13. Half of previous years losses are from 2009, whereas the remaining from 2010.

Required
Determine tax bracket for the ended 31/12/2015?

With my Best Wishes
Dr Mohamed Shabeeb
Answer the following questions:

**Question One (30 Marks / 40 minutes)**

An employee is working in a public sector companies got the following amounts during 2015:

- Basic Salary L.E. 1500; L.E. 400 monthly as nature of work allowance; L.E. 800 monthly as overtime; L.E. 500 monthly production incentives; L.E. 600 monthly as Representation allowance; L.E. 300 monthly expenses of the car given to the employees.
- On 1/7 the employee got L.E. 100 as a periodical raise. The Production incentives rose to L.E. 700 on the same date.
- The employee paid L.E. 200 monthly from the beginning of the year against life insurance premium in favour his wife and minor children.
- He was seconded to teach in a private university against L.E. 5000 annually.

**Required**

1- Calculate the monthly deductible tax during 2015.
2- Calculate the tax due on Secondment bonus.

**Question Two (40 Marks / 60 Minutes)**

The following is the income statement for an Egyptian sole proprietorship for the year ended on 31/12/2012 (values in L.E.):

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>300,570</td>
</tr>
<tr>
<td>(-) Cost of goods sold</td>
<td></td>
</tr>
<tr>
<td>- Beg. Inventory</td>
<td>20,000</td>
</tr>
<tr>
<td>+ Purchases</td>
<td>150,000</td>
</tr>
<tr>
<td>Cost of goods available for sale</td>
<td>170,000</td>
</tr>
<tr>
<td>- Ending Inventory</td>
<td>(50,000)</td>
</tr>
<tr>
<td>Gross profit</td>
<td>(120,000)</td>
</tr>
<tr>
<td>Less:</td>
<td>180,570</td>
</tr>
<tr>
<td>Salaries and Wages</td>
<td>45,000</td>
</tr>
<tr>
<td>General and Administrative Expenses</td>
<td>50,000</td>
</tr>
<tr>
<td>Advertising Expenses</td>
<td>10,000</td>
</tr>
<tr>
<td>Provisions</td>
<td>11,000</td>
</tr>
<tr>
<td>Bad Debts</td>
<td>3,000</td>
</tr>
<tr>
<td>Depreciation Expense</td>
<td>16,000</td>
</tr>
<tr>
<td>Interest Expenses</td>
<td>22,000</td>
</tr>
<tr>
<td>Insurance</td>
<td>8,000</td>
</tr>
<tr>
<td>Donations to the Egyptian Red Crescent</td>
<td>5,000</td>
</tr>
<tr>
<td></td>
<td>(170,000)</td>
</tr>
<tr>
<td>Add:</td>
<td>10,570</td>
</tr>
<tr>
<td>Interest on Deposits at Egyptian Banks</td>
<td>11,000</td>
</tr>
<tr>
<td>Revaluation profits</td>
<td>5,000</td>
</tr>
<tr>
<td>Recovered bad Debts</td>
<td>4,000</td>
</tr>
<tr>
<td>Net Profits</td>
<td>30,570</td>
</tr>
</tbody>
</table>
Additional information:
1- Ending inventory was computed at market value, while its cost is £E. 45000. The firm used to valuate inventory at cost.
2- Purchases include an invoice its value is £E. 3,000 that was recorded twice.
3- Salaries include £E. 6,000 as a salary for the owner against managerial work, employees’ salary which amount £E. 2,000 monthly. The remaining amount is for end of service bonus, taking into consideration that this amount was deposited on a private fund which has an independent financial entity.
4- The general and administrative expenses include £E. 5,000 undocumented expenses.
5- Advertising includes £E. 200 periodical advertisement that paid monthly, the remaining amount for advertising campaign that will benefit the company for five years starting from 1/1/2012.
6- The bad debt expense for debts that was due on 1/9/2012. 
7- Depreciation expenses for depreciation of building at fixed annual rate 8%.
8- Interest expenses include £E. 7,000 interest on capital, the remaining amount represent interest on loan taken from Al-Ahly bank on 1/3/2012 at a rate of 15%. The loan amount is £E. 100,000. The interest rate declared by the Central Bank on 1/1/2012 is 8%.
9- Insurance item includes £E. 4,000 insurance premium on the life of the owner, £E. 1,000 insurance against fire and theft. The remaining amount is paid as insurance for governmental bid.
10- Half of the recovered bad debts have not been approved by the tax administration at the time of write-off.

Required:
Determine the tax bracket of commercial and industrial profits.

Question Three (30 Marks / 40 minutes)
You got the following information about an Egyptian doctor who owns a clinic its receipts and disbursements during 2015 from a regular accounting books were as follows:
First: Receipts
- £E. 3000 surgical operation fees out of which £E. 500 in advance fees for an operation which will be performed in 2016; £E. 4000 fees of medical appointments in the clinic and at patients’ houses; £E. 2000 fees of operations performed in Saudi Arabia.
Second: Disbursements
£E. 550 clinic rent noting that the rent of December amounts £E. 50 has not been paid yet; £E. 1350 Depreciation of clinic furniture and equipment; £E. 600 depreciation and other car expenses noting that the car is used for both clinic and personal use; £E. 400 donation for poor and needy.
Required: Determine taxable revenues

With my Best Wishes
Dr Mohamed Shabeel
Question 1: choose the right answer from A, B, C, D and E draw a table identifying the letter of your answer for each question (20 marks)

1. Which of the following is not a factor in choosing a supplier?
   a. Quality  b. Profitability  c. Flexibility  d. Price competition  e. Lead time

2. Which of the following is the primary purpose of inventory management?
   a. To improve business cash flows.  b. To establish production goals.
   c. To ensure that customers get their product while minimizing inventory costs for the company.
   d. To monitor the amount of material into and out of stockroom locations
   e. none of the above

3. If a decrease in unit price causes the average demand rate to increase, which one of these would not increase?
   a. the EOQ  b. the reorder point  c. annual holding cost  d. lead time  e. safety stock

4. Which of the following is not the role of cross-functional teams in purchasing? They are charged with ....
   a. determining supplier qualification and selection  b. ensuring early supplier involvement in product design
   c. specification development  d. major sourcing processes  e. none of the above

5. Suppose the order quantity is Q=300 units per order. The total inventory cost associated with this order quantity must be ............... that with the economic order quantity.
   a. higher than  b. lower than  c. equal to  d. different from  e. None of the above

6. Using the basic EOQ model, if the ordering cost doubles, the order quantity will be
   a. double its former value  b. about 71% of its former value
   c. unaffected  d. about 50% of its former value  e. none of the above

7. Other things being equal, an increase in lead time for inventory orders will result in an increase in the:
   a. order size  b. order frequency  c. reorder point  d. (a and c)  e. all of the above

8. At the EOQ, the total annual holding cost is always .......... the total annual ordering cost.
   a. greater than  b. smaller than  c. different from  d. same as
   e. None of the above. It depends on specific problems

9. In the late 1960s and early 1970s, .............
   a. the term “supply chain management” replaced the term purchasing.
   b. purchasing departments existed in the railroad industry.
   c. purchasing personnel became more integrated with a materials system.
   d. just-in-time purchasing techniques started.
   e. all of the above

10. When a company has begun the manufacturing process on a good but it is not yet complete, that item is placed in...........
    a. raw materials inventory  b. work in process inventory  c. finished goods inventory
    d. goods for resale inventory  e. none of the above

Question 2: choose the right answer from A, B, C, D and E draw a table identifying the letter of your answer for each question (20 marks)

1. Which of the following is not considered confidential and proprietary information that purchasing professionals and managers need to handle with due care.
   a. Wage and salary scales of the organization  b. Supply sources or supplier information
   c. Personal information about employees, officers and directors
   d. Computer software programs used in the organization  e. none of the above

2. Encouraging socially diverse practices in purchasing means.....
   a. All business concerns, large or small, majority- or minority-owned, should be afforded an equal opportunity to compete
   b. All employees treated equally  c. All customers have the same level of care
   d. All of the above  e. None of the above

1/2
3. Which of the following is an advantage of a centralized purchasing structure?
   a. Speed and responsiveness  b. Allows business units to focus on their core competencies
   c. Understanding unique operational requirements.
   d. Communicates more readily with operations departments.  e. none of the above

4. Which of the following is not a function of purchasing department?
   a. Identifying potential suppliers  b. Issuing purchase orders  c. Supplier selection
   d. Conducting market studies for end product  e. none of the above

5. For a book publisher's sales and marketing activity, indirect sub-activities include ............
   a. Managing the sales force  b. Advertising  c. Selling online
   d. Proofreading and editing advertisements  e. (b and c)

6. Which of the following is not an effective purchasing managers’ need?
   a. Knowledge of the product and services to be purchased.  b. Knowledge of the supply chain.
   c. Must be good negotiators.  d. Sourcing reliable suppliers.  e. none of the above

7. An inventory decision rule states, "when the inventory level goes down to 20 gearboxes, 100
   gearboxes will be received." Which of the following statements is true?
   a. 100 is the reorder point, and 20 is the order quantity.  b. The number 100 is a function of demand
   during lead time.  c. 20 is the reorder point, and 100 is the order quantity.
   d. 20 is the safety stock, and 100 is the order quantity  e. None of the above.

8. Which of the following would generally be a motive for a firm to reduce the level of inventory?
   To....
   a. Minimize ordering costs  b. Take advantage of quantity discounts
   c. Minimize holding costs  d. Decouple production from distribution  e. Reduce stock out risks

9. Internal customers of purchasing include the following except ............
   a. Marketing and Manufacturing  b. Physical distribution centers
   c. Engineering and technical groups  d. Research and development
   e. All of the above are internal customers for purchasing

10. In Porter value chain model ............ are all the processes related to receiving, storing, and
    distributing inputs internally.

**Question 3: (30 marks)**
Assume a company have a product with the following parameters: Annual Demand = 360 units. Holding
    cost per year = $1.00 per unit. Unit price is $10. Order cost = $100 per order. There is a 300-day work
    year. The delivery lead time is 30 days. The company keeps a safety stock to cover 10 days delay in lead
    time.

1. What is the EOQ for this product? How many orders should be processed per year and what is the
   expected time between orders (cycle period)?
2. Count and identify the safety stock and the minimum level, the reorder level, the maximum level of
   inventory then draw a diagram to illustrate the different levels of inventory.
3. What is ordering cost, holding cost and the total cost for the inventory policy used? Draw a diagram to
   illustrate the relationship between different costs.
4. What would cost be if the annual demand was actually higher than estimated (i.e., 500 units instead of
   360 units), but the EOQ established in (1) above is used? What will be the actual annual total cost?
   Comment on the results.

**Question 4 (30 marks):** Rewrite each statement then identify if it is true or fault and comment
    briefly in no more than a half page:
    1. Supply chain management consists of five stages.
    2. There are some criteria that should be evaluated to make the decision of centralization and
       decentralization of purchasing.
    3. Organization's procurement functions may be joined into shared services.
    4. There is no social responsibility of purchasing function because its decisions are based on
       economic factors.

**End of Questions** With my best wishes  
Dr. Alaa Tawfik Mohamed
Answer the following questions:

**Question One (15 marks / 30 minutes)**

State whether each of the following statement is True (T) or False (F).

1. Auditors usually audit only quantifiable information such as companies’ financial statements and tax reports.
2. In an audit of the effectiveness of specific aspects of computer operations, the criteria might include the allowable level of input or output errors.
3. Assurance services can be done by CPAs or by a variety of other professionals.
4. Internal auditors usually report directly to top management and the board of directors.
5. Auditing has a significant effect on both business and information risks.
6. The manager of auditing staff cannot be responsible for more than one engagement at the same time.
7. The PCAOB requires inspections of accounting firms that audit more than 100 issuers at least once every three years.
8. Practicing the profession of accounting and auditing in Egypt is only restricted to those who are registered in the Public Registry of Accountants and Auditors.
9. Due professional care is one of the field work standards.
10. One of the appropriate titles for the audit report is “independent accountant’s opinion.”
11. The introductory paragraph of the audit report states that the audit is designed to obtain reasonable assurance about whether the statements are free of material misstatement.
12. Changes in an estimate, such as a change in the estimated useful life of an asset for depreciation purposes, affect comparability but not consistency, and therefore require adverse opinion.
13. Cost is an adequate justification for omitting a necessary procedure or not gathering an adequate sample size.
14. If the auditor is concerned that a client is failing to bill customers for shipments, a relevant procedure is to select a sample of duplicate sales invoices and traces each to related shipping documents.
15. Confirmations are a highly regarded and often used type of evidence.

**Question Two (15 marks / 30 minutes):**

Choose the best answer.

1. Which of the following professional services is an attestation engagement?
   a. A consulting service engagement to provide computer-processing advice to a client.
   b. An income tax engagement to prepare federal and state tax returns.
   c. An engagement to report on compliance with statutory requirements.
   d. The compilation of financial statements from a client’s financial records.

2. The following is an example for attestation services provided by the auditor:
   a. Providing assurance about the company’s compliance with the financial provisions of the loan.
   b. Accounting and bookkeeping services
   c. Tax services
   d. Management consulting services

Mohamed Shabeel
3. The attribute that distinguishes auditors from accountants is the:
   a. Auditor's ability to interpret accounting principles generally accepted in Egypt.
   b. Auditor's education beyond the Bachelor's degree.
   c. Auditor's ability to interpret FASB Statements.
   d. Auditor's accumulation and interpretation of evidence related to a company's financial statements.
4. ___________ risk reflects the possibility that the information upon which the business decision was made was inaccurate.
   a. Client acceptance
   b. Information
   c. Business
   d. Control
5. All of the following is one of the General Standards ____________:
   a. Proper planning and supervision.
   b. Independence of mental attitude.
   c. Adequate training and proficiency.
   d. Due professional care.
6. Members of the Public Company Accounting Oversight Board are appointed and overseen by:
   a. The U.S. Congress.
   b. The American Institute of Certified Public Accountants.
   c. The Auditing Standards Board.
7. The AICPA has authority to establish standards and rules in all of the following areas ____________:
   a. Auditing standards applicable to financial statements of private companies.
   b. Auditing standards applicable to financial statements of private and public companies
   c. Compilation and review standards
   d. Professional conduct
8. The general group of generally accepted auditing standards includes a requirement that
   a. Field work be adequately planned and supervised.
   b. The auditor’s report state whether or not the financial statements conform to generally
   c. Due professional care be exercised by the auditor.
   d. Informative disclosures in the financial statements be reasonably adequate.
9. An audit of historical financial statements most commonly includes the:
   b. Income statement, the statement of cash flows, and the statement of net working capital.
10. If a principal auditor decides to refer in his or her report to the audit of another auditor, he or she is required to disclose the:
    a. Name of the other auditor.
    b. Nature of the inquiry into the other auditor’s professional standing and extent of the review of the other auditor’s work.
    c. Reasons for being unwilling to assume responsibility for the other auditor’s work.
    d. Portion of the financial statements audited by the other auditor.
11. Which of the following is not explicitly stated in the standard unqualified audit report?
    a. The financial statements are the responsibility of management.
    b. The audit was conducted in accordance with generally accepted accounting principles.
    c. The auditors believe that the audit provides a reasonable basis for their opinion.
    d. An audit includes assessing the accounting estimates used.

Mohamed Shabed
12. All of the following are changes that affect the comparability of financial statements but not the consistency except:
   a. Changes in reporting entities, such as the inclusion of an additional company in combined financial statements.
   b. Error corrections not involving principles
   c. Changes in accounting estimates
   d. Variations in the format and presentation of financial information.

13. Appropriateness of evidence is a measure of the:
   a. Quantity of evidence.
   b. Quality of evidence.
   c. Sufficiency of evidence.
   d. Meaning of evidence.

14. Which of the following is the least persuasive type of evidence?
   a. Vendor’s invoice
   b. Pre-numbered sales invoices
   c. Bank statement obtained from the client
   d. Computations made by the auditor

15. Which of the following is the most objective type of evidence?
   a. A letter written by the client’s attorney discussing the likely outcome of outstanding lawsuits.
   b. Inquiries of the credit manager about the collectability of noncurrent accounts receivable.
   c. Observation of cobwebs on some inventory bins.
   d. The physical count of securities and cash.

**Question Three (15 marks / 30 minutes)**
Listed below are technical auditing terminologies:
“GAAS” “Qualified opinion” “Audit Report” “Assurance service”
“AICPA” “Audit report” “Auditing” “Adverse opinion”
“Operational Audit” “Material misstatement” “Evidence” “Internal auditor”
“PCAOB” “Analytical procedures” “Audit documentation”

Each of the following statements describes one of these technical terms. For each statement, indicate the auditing term described.

1. The communication of audit findings to users.
2. Detailed instruction for the collection of a type of audit evidence.
3. Auditors employed by a company to audit for the company’s board of directors and management.
4. A review of any part of an organization’s operating procedures and methods for the purpose of evaluating efficiency and effectiveness.
5. A report issued when the auditor believes the financial statements are so materially misstated or misleading as a whole that they do not present fairly the entity’s financial position or the results of its operations and cash flows in conformity with GAAP.
6. Use of comparisons and relationships to assess whether account balances or other data appear reasonable.
7. American Institute of Certified Public Accountants, a voluntary organization of CPAs that sets professional requirements, conducts research, and publishes materials relevant to accounting, auditing, management consulting services, and taxes.
8. The accumulation and evaluation of evidence about information to determine and report on the degree of correspondence between the information and established criteria.

Mohamed Shabeel
9. A report issued when the auditor believes that the overall financial statements are fairly stated but that either the scope of the audit was limited or the financial data indicated a failure to follow GAAP.

10. The principal record of auditing procedures applied, evidence obtained, and conclusions reached by the auditor in the engagement.

11. A misstatement in the financial statements, knowledge of which would affect a decision of a reasonable user of the statements.

12. Auditing standards, developed by the AICPA, consisting of general standards, standards of field work, and standards of reporting, along with interpretations; often called auditing standards.

13. Any information used by the auditor to determine whether the information being audited is stated in accordance with established criteria.

14. An independent professional service that improves the quality of information for decision makers.

15. Board created by the Sarbanes–Oxley Act to oversee auditors of public companies, including establishing auditing and quality control standards and performing inspections of registered accounting firms.

**Question Four (30 marks / 30 minutes)**

Briefly answer the following Questions

1. Identify the major causes of information risk and identify the three main ways information risk can be reduced. What are the advantages and disadvantages of each?

2. List the ten generally accepted auditing standards?

3. List the eight types of audit evidence and give one example of each?

**Question Five (25 marks / 30 minutes)**

For each of the following cases, determine the appropriate auditor report that should be issued and determine the number of paragraphs for each one:

1. The financial statements are prepared according to GAAP and are fairly presented.

2. The auditor discovered some mathematical errors in previous year’s net profits figure.

3. After starting the audit process, the auditor bought significant amount of its clients’ shares.

4. The company did not allow the auditor to confirm the accounts receivables. Although the amount is material, the auditor found alternative procedures.

5. The company lost one of its major customers. In addition, the company failed to pay its loan obligations last year.

6. The company refuses to allow the auditor to observe, or make, any counts of inventory. The recorded book value of inventory is highly material.

7. There is another auditor participating in the engagement. The auditor is satisfied with the work performed by the other auditor.

8. The company refuses to allow the auditor to observe, or make, any counts of inventory. The recorded book value of inventory is highly material.

9. The company changed from LIFO to FIFO method and the auditor agrees with this change.

10. The company has not calculated the deferred tax on the temporary difference between the asset and liability value for taxation purposes and its registered book value, as required by the Egyptian accounting standards. The amount is material but not pervasive.

With my best wishes
Dr Mohamed Shabeel

Mohamed Shabeel
Question (1):

Choose the best answer.

1- The three most common types of attestation services are:
   a. Audits, reviews, and other attestation services.
   b. Audits, verifications, and other attestation services.
   c. Reviews, verifications, and other attestation services.
   d. Audits, reviews and verifications.

2- The causes of information risk include the following Except:
   a. Remoteness of information.
   b. Biases and motives of the provider.
   c. The type of the audit firm.
   d. Complex exchange transactions.

3- The most common way that is used for reducing information risk is:
   a. User verifies information
   b. Audited financial statements are provided
   c. User share information risk with management
   d. Nothing of the above

4- The requirements for becoming a Certified Public Accountants (CPA) include:
   a. Educational requirement.
   b. Uniform CPA examination requirement.
   c. Experience requirement.
   d. All of the above.

5- A primary purpose of an operational audit is to provide:
   a. A means of assurance that internal accounting controls are functioning as planned.
   b. The results of internal examinations of financial and accounting matters to a company’s top-level management.
   c. Aid to the independent auditor, who is conducting the audit of financial statements.
   d. A measure of management performance in meeting organizational goals.

6- The trait that distinguishes auditors from accountants is the:
   a. Auditor’s education beyond the Bachelor’s degree.
   b. Auditor’s accumulation and interpretation of evidence related to a company’s financial statements.
   c. Auditor’s ability to interpret the generally accepted accounting principles.
   d. Auditor’s ability to interpret FASB Statements.
7- The compliance audit is most often performed to determine whether the:
   a. Organization is operating efficiently and effectively.
   b. Entity is following specific procedures or rules set down by some higher authority.
   c. Management team is fulfilling its fiduciary responsibilities to shareholders.
   d. Determining whether recorded information properly reflects the economic events that occurred during the accounting period.
8- Evaluate a company's computerized payroll system for efficiency and effectiveness is an example of:
   a. The operational audit.
   b. The compliance audit.
   c. The financial audit.
   d. The production audit.
9- In comparison to the external auditor, an internal auditor is more likely to be concerned with
   a. Operational auditing.
   b. Internal administrative control.
   c. Cost accounting procedures.
   d. Internal control.
10- All of the Big Four international accounting firms and many smaller accounting and auditing firms now operate as a(an):
    a. General corporation.
    b. Professional corporation.
    c. Limited liability company.
    d. Limited liability partnership.
11- Which of the following best describes what is meant by generally accepted auditing standards:
    a. Acts to be performed by the auditor.
    b. Procedures to be used to gather evidence to support financial statements.
    c. Audit objectives generally determined on audit engagements.
    d. Measures of the quality of the auditor's performance.
12- The following are the US generally accepted auditing standards related to field work
    Except:
    a. Proper planning and supervision.
    b. Sufficient understanding of the entity, its environment, and its internal control.
    c. Adequacy of informative disclosures.
    d. Sufficient appropriate evidence.
13- In 2008, a new set of Egyptian Standards on Auditing were issued based on
    b. American Standards on Auditing issued in 2003
    d. Nothing of the above.
14- With regard to auditing of the publicly held corporations, the legislator stated important conditions related to the person who does the process of auditing. These conditions include:
   a. To be a member of the Association of Accountants and Auditors and the Egyptian trade union.
   b. Worked as an auditor for a period not less than five years from the date of his registration in the accountants and auditors registry.
   c. Provide a statement contains the audit engagements which have been done during the period of his registration in the Register of Accountants and Auditors.
   d. All of the above.

15- Accountants and auditors registered as trainee are transferred to the accountants and auditors registry after meeting the following conditions:
   a. Spending three years in the exercise and practice of accounting and auditing in the office of one of Accountants and Auditors listed public registry.
   b. Spending five years in the exercise and practice of accounting and auditing in the office of one of Accountants and Auditors listed public registry.
   c. To pass the mid and final exam conducted by the association of accountants and auditors.
   d. (a) and (c).

**Question (2):**

State whether each of the following statement is True (T) or False (F) and comment on the false statements.

1- The competence of the individual performing the audit is of little value if he or she is biased in the accumulation and evaluation of evidence.

2- The central accounting agency in Egypt is responsible for auditing all the privately held corporations.

3- The CPA provides a lower level of assurance for reviews of financial statements compared to a high level for audits, therefore less evidence is needed.

4- The criteria used by an auditor to evaluate the efficiency and effectiveness of operations are more objective and easier than the criteria used to evaluate published financial statements.

5- Assurance service is a type of attestation service in which the CPA firm issues a report about the reliability of an assertion that is the responsibility of another party.

6- Most countries including Egypt base their auditing standards on the US generally accepted auditing standards, modified as appropriate for each country’s regulatory environment and statutory requirements.

7- SysTrust services provide assurance about the reliability of information systems used to generate real-time information and include critical areas such as security and data integrity.
8- The lack of independence is the major difference between internal auditors and CPA firms. As internal auditors are more independent compared to external ones.

9- Oral responses to the auditor from employees of the company under audit are not considered audit evidence.

10- The field work group of the generally accepted auditing standards includes a requirement that the auditor has sufficient understanding of the entity, its environment, and its internal control.

11- US generally accepted auditing standards (GAAS) are issued by the Securities Exchange Commission (SEC).

12- Audit firms are restricted to provide consulting services to private or public companies that are NOT their audit clients.

13- Auditor's count of marketable securities is more persuasive than responses of questions of client's employees.

14- The auditor's goal is to obtain a sufficient amount of appropriate evidence at the lowest total cost. However, the cost is never an adequate justification for omitting a necessary procedure or not gathering an adequate sample size.

15- Analytical procedures are considered one of the most reliable and useful types of audit evidence.

**Question (3):**

Briefly answer the following questions:

1- CPA firms perform numerous other services that generally fall outside the scope of assurance services, which is called non-assurance services. List three of these services.

2- The law identifies the most important bodies which are subject to the control of the Central Auditing Organization. List five of these bodies.

3- CPA firms vary in the nature and range of services offered, which affects the organization and structure of the firms. Three main factors influence the organizational structure of all firms, what are they?

4- The process of setting Egyptian accounting and auditing standards started with the establishment of the Permanent Committee for Standards of Accounting and Auditing by Ministerial Decree No. 478 issued in 1997. Briefly list the sequence of procedures needed for issuing accounting or auditing standards in Egypt.

5- "Reliability of evidence refers to the degree to which evidence can be believable or worthy of trust.... Reliability, and therefore appropriateness, depends on six characteristics". List four of these characteristics and briefly explain two of them.
Question (4):

A. The opinion paragraph of an auditor's report contains the following:
   "In our opinion, except for the effect of such adjustments, if any, as might have been
determined to be necessary had we been able to examine evidence regarding the
foreign affiliate investment and earnings, the financial statements referred to above
present fairly, in all material respects, the financial position of El Araby Corporation
as at December 31, 2013, and the results of its operations...”.

Required:
1- Identify the type of this audit report.
2- **Briefly List** the circumstances that require the issuance of this type of audit reports.

B. The audit report contains the following opinion paragraph:
   "In our opinion, the consolidated financial statements referred to above, give a true
and fair view, in all material respects, of the consolidated financial position of El
Horia Group Holding Company (S.A.E) as of 31 December 2013, and of its financial
performance and its cash flows for the year then ended in accordance with Egyptian
Accounting Standards and the related applicable Egyptian laws and regulations.”.

Required:
1- Identify the type of this audit report.
2- **Briefly List** the circumstances that require the issuance of this type of audit reports.

C. The audit report contains the following opinion paragraph:
   "In our opinion, because of the effects of the matters discussed in the preceding
paragraph, the financial statements referred to above do not present fairly, and they
are not in conformity with GAAP in Egypt, the financial position of El Masry
Corporation as at December 31, 2013 or the results of its operations and its cash flows
for the year then ended...”.

Required:
1- Identify the type of this audit report.
2- **Briefly List** the circumstances that require the issuance of this type of audit reports.
D: The following Table shows the Audit Report for Each Condition Requiring a Departure from a Standard Unqualified Report at Different Levels of Materiality

<table>
<thead>
<tr>
<th>Conditions requiring an unqualified report with modified wording or Explanatory Paragraph</th>
<th>Levels of Materiality</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounting principles not consistently applied</td>
<td>Unqualified</td>
</tr>
<tr>
<td>Substantial doubt about going concern</td>
<td>Unqualified</td>
</tr>
<tr>
<td>Justified departure from GAAP</td>
<td>Unqualified</td>
</tr>
<tr>
<td>Emphasis of a matter</td>
<td>Unqualified</td>
</tr>
<tr>
<td>Use of another auditor</td>
<td>Unqualified</td>
</tr>
</tbody>
</table>

Panel B:

<table>
<thead>
<tr>
<th>Conditions requiring a departure from an unqualified report</th>
<th>Level of Materiality</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Immaterial</td>
</tr>
<tr>
<td>Scope restricted by client</td>
<td>Unqualified</td>
</tr>
<tr>
<td>Financial statement not prepared in accordance with GAAP</td>
<td>Unqualified</td>
</tr>
<tr>
<td>The auditor is not independent</td>
<td></td>
</tr>
</tbody>
</table>

Required:

Complete the missing by indicating the type of audit report required for each of the eight cases.
"Good Organization, longhand and Avoidance Of Scribble are appreciated"

Answer the following questions:

Question No. (1): (32 Point) (1 Hour)

Write for each of the following:
A - The meaning of risk and its basic categories.
B - Methods of handling risk.
C - Fundamental legal principles on which insurance contracts are based.
D - Life insurance.

Question No. (2): (34 degree): (1 Hour)

The following table represents the survival probabilities ($P_x$) at the different age $X_i$'s:

<table>
<thead>
<tr>
<th>$X_i$</th>
<th>90</th>
<th>91</th>
<th>92</th>
<th>93</th>
<th>94</th>
<th>95</th>
<th>96</th>
<th>97</th>
<th>98</th>
<th>99</th>
</tr>
</thead>
<tbody>
<tr>
<td>$P_x$</td>
<td>0.9696969</td>
<td>0.953125</td>
<td>0.9344262</td>
<td>0.9122807</td>
<td>0.8846153</td>
<td>0.847826</td>
<td>0.7948717</td>
<td>0.7096774</td>
<td>0.5454545</td>
<td>0</td>
</tr>
</tbody>
</table>

Suppose that the number of survival individuals at the age 90 is 3300 persons i.e., $L_{90} = 3300$ person.

**Required**

1- Construct the mortality or life table.
2- From your preceding result in (1) **determine**:
   a- The probability that a person who has 90 years old will be still alive to 96 years old.
   b- The probability that a person having 90 years old will died before having 97 years old.
   c- The probability that a person will be still alive from the age 91 to 97 year and died through the succeeding two years.
3- The curtate and complete expectation life for the different ages.
4- Prove that each of $P_x$ and $Q_x$, $^nP_x$ and $^nQ_x$ are complementary.
5- If a person have 90 years old still alive to 98 years old wanted to have an insurance policy issued after 9 years by 100,000$. Determine the net premium which he will pay for the insurance company. \( V_9 = 0.7664167 \).

**Question No. (3): (34 degree):**

(1 Hour)

The following table represents the frequency distribution for the various loss \( (X_i) \) in thousand L.E to a sample of 100 insured companies against a specific risk:

<table>
<thead>
<tr>
<th>Loss intervals</th>
<th>1-</th>
<th>2-</th>
<th>3-</th>
<th>4-</th>
<th>5-</th>
<th>10-</th>
<th>20 - 50</th>
<th>Σ</th>
</tr>
</thead>
<tbody>
<tr>
<td>frequency</td>
<td>6</td>
<td>13</td>
<td>16</td>
<td>30</td>
<td>16</td>
<td>13</td>
<td>6</td>
<td>100</td>
</tr>
</tbody>
</table>

Assumed that \( (X_i) \) have a normal distribution. Determine:

1- The expected loss, standard deviation and the standard error.
2- The post- banding loss for seven years ago with 8.5% compound interest rate for any company.
3- The probability that the loss will be at most 23174.64 L.E.
4- The probability that the average of loss will be at least 6552.2685 L.E.
5- Determine the value of loss \( (Y) \) by which 47.5% from the insured companies’ lies between the expected loss and \( (Y) \).

Not that: \( \Phi (1.96) = 0.975 \), \( \Phi (2.58) = 0.995 \)

\( \Phi (1.645) = 0.95 \), \( \Phi (2.13) = 0.9834 \)

\( \Phi (1.285) = 0.90 \)

Good Luck.....
Answer all Questions

Question one: choose the right answer from A, B, C, D and E. Arrange your answers in a table identifying the letter of your choice of each question. (39 marks)

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>If the EOQ is ordered, which of the following is true?</td>
</tr>
<tr>
<td></td>
<td>(a) Annual ordering cost exceeds annual holding cost.</td>
</tr>
<tr>
<td></td>
<td>(b) Annual holding cost exceeds annual ordering cost.</td>
</tr>
<tr>
<td></td>
<td>(c) Annual ordering cost is equal to annual holding cost.</td>
</tr>
<tr>
<td></td>
<td>(d) The sum of annual ordering cost plus annual holding cost is maximized.</td>
</tr>
<tr>
<td></td>
<td>(e) The annual holding cost curve is decreasing</td>
</tr>
</tbody>
</table>

| 2. | Which of the following is not a type of manufacturing inventory? |
|    | (a) work-in-process inventory |
|    | (b) finished goods inventory |
|    | (c) raw materials inventory |
|    | (d) distribution inventory |
|    | (e) none of the above |

| 3. | The role of purchasing management is best captured by the following question: |
|    | (a) how can supply help suppliers decrease costs? |
|    | (b) how can supply and suppliers help decrease costs? |
|    | (c) how can supply and suppliers help decrease costs and increase revenues? |
|    | (d) how can supply help decrease costs and increase revenues? |
|    | (e) how can supply help decrease costs? |

| 4. | Hand tools, lubricants, and cleaning supplies are usually examples of what? |
|    | (a) WIP inventory |
|    | (b) finished goods inventory |
|    | (c) raw materials inventory |
|    | (d) distribution inventory |
|    | (e) MRO inventory |

| 5. | Which of the following is one of the major supply chain strategic activities? |
|    | (a) Where to make and what to make or buy decisions. |
|    | (b) quantity, location, and quality of inventory |
|    | (c) inbound operations, including transportation from suppliers and receiving inventory. |
|    | (d) a and b |
|    | (e) none of the above |

| 6. | To contribute to organizational strategy, the purchasing department should: |
|    | (a) meet expectations of internal customers. |
|    | (b) seek opportunities to provide competitive advantage. |
|    | (c) execute current tasks as designed. |
|    | (d) routinize and automate transactions. |
|    | (e) all of the above. |

| 7. | The entities of a supply chain typically consist of..... |
|    | (a) suppliers and manufacturers |
|    | (b) service providers and distributors |
|    | (c) sales channels and consumers |
|    | (d) all of the above |
|    | (e) a and c only |

| 8. | Supply chain management spans all movement and storage of.... |
|    | (a) raw materials |
|    | (b) work-in-process inventory |
|    | (c) finished goods |
|    | (d) none of the above |
|    | (e) all of the above |
9. Why companies need not to outsource activities?
   (a) to avoid high risk of performing the activity in-house.
   (b) if cost of performing activity in-house is high.
   (c) in case of fast-changing technology or the product is sold in a rapidly-changing market.
   (d) to reduced inventory.
   (e) none of the above

10. Which of the following is a definition of ‘the supply chain’?
   (a) The way in which information passes from user to procurement to supplier
   (b) The range of suppliers used by a purchasing organization
   (c) The types, frequency and organization of deliveries to the end user
   (d) The network of organizations and activities involved with the flow and transformation of goods.
   (e) none of the above

11. Other things being equal, an increase in lead time for inventory orders will result in an increase in the:
   (a) order size  (b) order frequency (c) reorder point (d) EOQ (e) None of the above

12. Costs of not carrying enough inventory include:
   (a) lost sales  (b) customer disappointment (c) possible worker layoffs (d) all of the above (e) a and b

13. What are purchased items or extracted materials that will be transformed into components or products?
   (a) finished goods inventory (b) raw materials inventory (c) distribution inventory
   (d) MRO inventory (e) work-in-process inventory

**Question two: 40 marks.**

Computronics is a manufacturer of calculators, currently producing 200 per week. One component for every calculator is a liquid crystal display (LCD), which the company purchases from Displays, Inc. (DI) for $1 per LCD. Computronics management wants to avoid any shortage of LCDs, since this would disrupt production, so DI guarantees a delivery time of 1/2 week on each order but sometimes there could be a delay for one day. The placement of each order is estimated to require 1 hour of clerical time, with a direct cost of $15 per hour plus overhead costs of another $5 per hour. Estimate has been made that the annual cost of capital tied up in Computronics’ inventory is 15 percent of the value (measured by purchase cost) of the inventory. Other costs associated with storing and protecting the LCDs in inventory amount to 5 cents per LCD per year. The working days (7 days a week, 52 weeks a year).

1) What should the optimal order quantity and reorder point be for the LCDs?
2) Count the corresponding different types of costs.
3) Count the safety stock of the company
4) Discuss how the company controls the inventory using the minimum maximum inventory control method. Draw a graph to illustrate.
5) Draw a graph to illustrate and discuss the relationship between different types of costs associated with the EOQ.

**Question three: (21 marks)**

1) An important aspect of evaluating suppliers is to understand and then mitigate risk.
   a. List the steps of performance evaluation of suppliers.
   b. Discuss what types of risk

2) Summarize the five areas where companies can make decisions while defining their supply chain capabilities.

---

*End of questions

*With my best wishes*  
Dr. Alaa Tag Eldin Mohamed
Answer the following questions and use the relevant graphs:

First: Write a short notice about the following subjects: (40 M.)

1) Public Finance and ideology.
2) Benefits of government activities.
3) The role of financial market and its main types.
4) The allocation of resources between government and private use.
5) The role of government in a mixed economy.

Second: (30 M.)

1) Explain the concepts of public goods & externalities as factors of market failure.
2) Define the public expenditure and revenues, and explain its main categories.

Third: (30 M.)

What is the difference between statutory incidence and economic incidence of taxes diverge?

Good Luck
El Etihad Company has the following information for the year 2014:

1- Sales for the year were $ 2,020,000.
2- Inventories were as follows:

<table>
<thead>
<tr>
<th>Inventory</th>
<th>1/1/2014</th>
<th>31/12/2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raw materials inventory</td>
<td>$ 250,000</td>
<td>$ 210,500</td>
</tr>
<tr>
<td>Work-in-process inventory</td>
<td>$ 230,000</td>
<td>$ 215,350</td>
</tr>
<tr>
<td>Finished goods inventory</td>
<td>$ 490,000</td>
<td>$ 350,000</td>
</tr>
</tbody>
</table>

3- The company purchased materials for the year equal to $630,000.
4- Costs for the period were as follows:
   a. Total materials put into production (80% direct materials) ??
   b. Total labour costs (25% indirect labour) $ 525,000
   c. Office salaries amounted to $120,000 and electricity was $50,000.
   d. Total Factory overhead 150% of direct labour

5- Selling expenses were $200,000.
6- General and administrative expenses were $150,000.
7- 220,000 units were produced during the year.
8- All materials are considered direct.
9- The depreciation on office equipment was $60,000.

**Required:**

a) Prepare a combined statement of cost of goods manufactured and sold.
b) Compute the net income or loss.
c) Compute the following:
   1- Prime costs
   2- Conversion costs
   3- Product costs
   4- Period Costs
   5- Unit cost
**Question (2):**

Aberdeen Company manufactures and distributes mobile leather cases. Each finished case costs the company $50; the selling price per case is $90. The current year is the first year of operation for the company. During that year, Aberdeen Company made four purchases of direct materials: On January 10, Aberdeen purchased 5000 units of material L at a price of $26 per unit; on February 2, 6550 units of material L were purchased at $28 per unit; on July 11, 4640 units of material L were purchased at $30 per unit and finally on November 6, 3810 units of material L were purchased at $32 per unit. On April 9, 5700 units of material L were issued; on August 1, 3200 units of material L were issued and on December 17, 4550 units were issued. Aberdeen Company uses the perpetual inventory system. In addition, during the current year, Aberdeen Company purchased on account 5,000 units of indirect materials costing $75,000 and placed into production (issued) 3000 units.

**Required:**

1- Using the Weighted Average method, determine the cost of direct materials issued and the cost of the ending direct materials inventory.

2- Prepare two journal entries to record the purchase and issuance of direct materials (one entry to record the total costs of direct materials purchased and another entry to record total costs of direct materials issued). Assume that all purchases were made in cash.

3- Prepare the journal entries to record the purchase and issuance of indirect materials.

**Question (3):**

El Farouk Corporation accumulated the following payroll data for the week ending June 25:

<table>
<thead>
<tr>
<th>Employees</th>
<th>Hours worked</th>
<th>Base rate per hour</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hazem</td>
<td>42</td>
<td>8</td>
</tr>
<tr>
<td>Mohamed</td>
<td>54</td>
<td>10</td>
</tr>
<tr>
<td>Osama</td>
<td>48</td>
<td>10</td>
</tr>
<tr>
<td>Mahmoud</td>
<td>32</td>
<td>12</td>
</tr>
<tr>
<td>Mowafy</td>
<td>42</td>
<td>10</td>
</tr>
</tbody>
</table>
Additional information:

1- The union contract requires that employees receive time and a half for any hours worked above 42 hours per week.
2- The union contract requires that employees receive a minimum guaranteed wage equals to 38 hours multiplied by the base rate per hour.
3- Mr Hazem worked the night shift and will receive an additional $4 per hour above his $8 base rate. He worked the entire week on Job 1.
4- Mr Mohamed worked 34 hours on Job 2 and 20 hours on Job 3. Mr Mohamed overtime resulted from the random scheduling of too many jobs.
5- Mr Osama had to work overtime because he had to correct his own poor workmanship on Job 4.
6- Mr Mahmoud worked the entire week on Job 5 and received the guaranteed minimum wage equals $456 (38 hours X 12 per hour).
7- Mr Mowafy is a sales person and worked the entire week in the sales department.
8- Social security taxes withheld for all employees are $150.
9- Income taxes withheld for all employees are $300.

Required:

Prepare journal entries to record the following for the week of June 25:

a) The payroll
b) The employee taxes and pay the payroll

Question (4):

Dundee Company has two service departments (S1 and S2) and two production departments (P1 and P2). The following information has been prepared for the year 2014:

<table>
<thead>
<tr>
<th>Departments</th>
<th>Total Costs</th>
<th>Factory Overhead Costs</th>
<th>Square Feet</th>
<th>Total Labour Hours</th>
</tr>
</thead>
<tbody>
<tr>
<td>S1</td>
<td>$14,000</td>
<td>-</td>
<td>1,500</td>
<td>3,500</td>
</tr>
<tr>
<td>S2</td>
<td>$11,000</td>
<td>-</td>
<td>1,800</td>
<td>1,200</td>
</tr>
<tr>
<td>P1</td>
<td>-</td>
<td>$52,500</td>
<td>2,000</td>
<td>2,300</td>
</tr>
<tr>
<td>P2</td>
<td>-</td>
<td>$48,000</td>
<td>3,000</td>
<td>1,700</td>
</tr>
</tbody>
</table>
The costs of S1 and S2 departments are allocated on the basis of square feet and total labour hours, respectively. The producing departments use estimated direct labour hours: 1,500 in P1 and 1,250 in P2.

**Required:**

a) Using the step method:
   1. Allocate the total costs of the service departments to the producing departments (Allocate S1 first, then S2).
   2. Compute the factory overhead application rates for the producing departments.
   3. Compute the applied factory overhead for department P1 given that the actual direct hours for the month of March was 2,500 hours.
   4. Prepare the journal entry to record the applied factory overhead.
   5. Compute the over- or underapplied factory overhead for department P1 if the actual factory overhead costs for department P1 was $120,000 for the month of March.
   6. Prepare the journal entries to record the actual factory overhead and the over- or underapplied factory overhead (closing the FOH control and FOH applied accounts).
   7. Close the over- or underapplied factory overhead account to the Cost of Goods Sold account.

b) Allocate the total costs of the service departments to the producing departments using the Algebraic method and Compute the factory overhead application rates for the producing departments.

*With Best Wishes*
*Dr. Ahmed Hassan Ahmed*
Answer the following questions:

Question one
Choose the best answer for each of the following questions (Show computations if appropriate):

1- The taxpayer is considered as normally residing in Egypt if:
   a- Residing in Egypt for a period more than 183 days during the year.
   b- If he/she is doing work abroad and get his salary from an Egyptian source.
   c- If Egypt is his permanent place of residence.
   d- All of the above.

2- An Egyptian Engineer is working in a contracting company in Oman against a monthly salary L.E 25000. This income is subject to the following kind of tax:
   a- Salaries and the like
   b- Free profession
   c- Commercial and industrial
   d- Non of the above

3- All of the following can be considered as a deductible cost for commercial and industrial tax except:
   a- Depreciation Expenses
   b- Donations to public administration units
   c- Reserves and provisions
   d- Interest Expenses

4- A company in the public business sector concludes an agreement with a foreign expert to work in Egypt from 1/10/2013 till 20/8/2014, and with the following conditions:
   - He shall receive in Egypt $ 200 per day.
   - The company will transfer $150 per day to his country.
   - The taxpayer will bear his cost of residing in Egypt which amounts L.E. 200 per day.
   - The average exchange rate is L.E. 7 per dollar.
   - The tax due for 2013 equal:
     a- L.E. 24,380  b- L.E. 22,540  c- L.E. 20,700  d- Another value.

5- Considering all the information given in question no. 4, the tax due for 2014 equal:
   a- L.E. 24,360  b- L.E. 56,395  c- L.E. 51,755  d- Another Value

6- The monthly revenues received by an employee for the period from 1/1/2013 till 30/6/2013 amounted 2,500. He got L.E. 20,000 loan from his employer on 1/7/2013 against interest 7% annually. The taxed advantage in this case equal:
   a- L.E. 200  
   b- L.E. 600  
   c- Zero  
   d- Another Value
7- A company had included L.E. 8,000 recovered bad debts on its income statement for 2014. If you know that none of these debts were previously approved by tax administration when these debts were written-off. The required adjustment here will be:
   a- Add L.E. 8,000   b- Deduct L.E. 8,000
   c- No adjustment   d- None of the above

8- An Egyptian company included on its income statement for 2014 L.E. 4,000 as interest expenses. These interests for a loan amounts L.E. 40,000 that was taken by the company on 1/7/2014. The interest rate declared by the Central Bank for 2014 is 9%. The required adjustment here is:
   a- Add L.E. 4,000   b- Deduct L.E. 400
   c- Add L.E. 400   d- No Adjustment

9- The net annual revenues received by an employee were L.E. 25,000. This employee conducted a life insurance policy for the favour of his wife against L.E. 1,500 annually. In addition he pays L.E. 1,000 as a subscription in his company's private insurance fund. The exempted amount out of these two items equal:
   a- L.E. 3750   b- L.E. 3000   c- L.E. 2500   d- Another value

10- The results of XYZ Company for the periods from 2008, 2009, and 2010 were Losses 20,000; Profits 15,000; Losses 10,000 respectively. If you know that this company's results for 2011 were profits 15,000. The amount of 2008 losses that will be deducted from 2011 profits equal:
   a- L.E. 15,000   b- L.E. 5,000   c- Zero   d- Another value.

**Question Two**

An Employee is working in a public sector company his monthly basic salary is L.E. 1,200. He receives nature of work allowance L.E. 600 monthly; representation allowance L.E. 250 monthly; production incentives L.E. 140; cloth allowance L.E. 100. The total special raise is L.E. 300 out of which L.E. 200 were added to the basic wage. The company provided him with a car its monthly expenses amounts L.E. 400. On 1/7 he was granted periodical raise L.E. 200. The production incentives raised to L.E. 200. On the same date (1/7) he conducted a life insurance policy for the favour of his wife and mother to be divided equally between them against L.E. 400 monthly.

**Additional information:**

1- This employee had a sick leave in April for 10 days. The company approved the whole period to be fully paid leave.
2- He is working in another place against L.E. 10,000 annually.
3- At the end of the year, the company granted him an encouragement bonus amounts L.E. 3000.

**Required**

1- Calculate the monthly deductible tax
2- Calculate the tax due on secondment bonus and encouragement bonus.
3- Prepare a settlement list to arrive any tax differences.
**Question Three**

The following is the income statement for an Egyptian sole proprietorship for the year ended on 31/12/2013 (values in L.E.):

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>450,000</td>
</tr>
<tr>
<td>(-)Cost of goods sold</td>
<td></td>
</tr>
<tr>
<td>Beg. Inventory</td>
<td>16,000</td>
</tr>
<tr>
<td>+ Purchases</td>
<td>190,000</td>
</tr>
<tr>
<td>Cost of goods available for sale</td>
<td>206,000</td>
</tr>
<tr>
<td>- Ending Inventory</td>
<td>(12,000)</td>
</tr>
<tr>
<td><strong>Gross profit</strong></td>
<td>(194,000)</td>
</tr>
<tr>
<td><strong>Less:</strong></td>
<td></td>
</tr>
<tr>
<td>General and Administrative Expenses</td>
<td>47,000</td>
</tr>
<tr>
<td>Undocumented Expenses</td>
<td>3,000</td>
</tr>
<tr>
<td>Advertising Expenses</td>
<td>10,000</td>
</tr>
<tr>
<td>Rent Expense</td>
<td>13,000</td>
</tr>
<tr>
<td>Bad Debts</td>
<td>3,000</td>
</tr>
<tr>
<td>Depreciation Expense</td>
<td>50,000</td>
</tr>
<tr>
<td>Interest Expenses</td>
<td>32,000</td>
</tr>
<tr>
<td>Insurance</td>
<td>8,000</td>
</tr>
<tr>
<td>Donations</td>
<td>5,000</td>
</tr>
<tr>
<td><strong>Total Less</strong></td>
<td>(171,000)</td>
</tr>
<tr>
<td><strong>Add:</strong></td>
<td></td>
</tr>
<tr>
<td>Recovered bad Debts</td>
<td>4,000</td>
</tr>
<tr>
<td><strong>Net Profits</strong></td>
<td>89,000</td>
</tr>
</tbody>
</table>

**Additional Information:**

1- The company used to valuate inventory at cost or market whichever is less. The value of ending inventory included in the income statement is 20% less than its cost. The market value is L.E. 17,000.

2- There were L.E. 5000 sales returns that were recorded upon a notification from a customer. However, the customer did not send these goods until the end of the year.

3- Purchases include L.E 40,000 the price of a trade mark bought by the company on 1/4/2013. Noting that the company did not compute any amortization expense for that trade mark.

4- Advertising includes L.E. 200 periodical advertisement that paid monthly; L.E. 1600 the cost of a newspaper congratulations for the wedding of the owner's daughter. The remaining amount for advertising campaign that benefits the company for three years starting from 1/7/2013.

5- The monthly rent expense is L.E. 1,000.

6- The bad debts expense for debts that was due on 1/5/2012.

7- Depreciation Expenses include L.E. 10,000 of a building its book value is L.E. 100,000. The remaining amount is for normal depreciation of machines noting that:
   - The book value of machines on 1/1/2013 was L.E. 200,000.
- The company purchased new machines on 1/9/2013 with a cost L.E. 100,000.
- The company sold an old machine at 1/12/2013 for L.E. 70,000.

8- Interest expenses include L.E. 12,000 interest on capital, the remaining amount represent interest on loan taken from Al-Ahly bank on 1/7/2013. The loan amount is L.E. 200,000. The interest rate declared by the Central Bank on 1/1/2013 is 8%.

9- Insurance item includes L.E. 4,000 insurance premium on the life of the owner. L.E. 1,000 insurance against fire and theft. The remaining amount is paid as insurance for governmental bid.

10- Half of the recovered bad debts had not been approved by the tax administration at the time of write-off.

11- Half of the donations were paid to the orphans of an employee who dead during working hours, while the remaining amount paid to un-registered charity in Qena.

12- The income statement did not include the following:
   - L.E. 11,000 dividends of Shares Registered
   - L.E. 5,000 Revaluation profits.
   - L.E. 5,000 juridical compensation for imitating the company's trade mark, noting that the company collected only half of this value.

With my Best Wishes
Dr Mohamed Shabeeb
"Good Organization. Longhand Avoidance of Scribble are Appreciated."

**Answer the following questions**

**Question No. (1):** (40 degree) (1 Hour)

1. Write for each of the following:

   A - The meaning of risk and its basic categories.

   B - Peril and Hazards.

   C - Methods of handling risk.

2. Assume that an actuary estimates the various losses \( x_i \) in thousand L.E. for a sample of 100 companies from the exposure units insured for a specific risk as it be shown in the following table:

<table>
<thead>
<tr>
<th>( X_i )</th>
<th>1</th>
<th>3</th>
<th>5</th>
<th>7</th>
<th>10</th>
<th>15</th>
<th>( \Sigma )</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frequency</td>
<td>10</td>
<td>15</td>
<td>35</td>
<td>20</td>
<td>15</td>
<td>5</td>
<td>100</td>
</tr>
</tbody>
</table>

   Determine:

   A - The expected loss and its standard error (Assuming that \( x_i \) have a normal distribution).

   B – From your preceding result in (A) what is the percentage of the exposure units by which they have at most 1447.359 L.E losses. Determine the post bonding loss after five years ago with 7% compound interest rate.

   C - The average of loss by which at least 97.5% from the exposure units will have.

   **Note that:**

   | \( Z \) | 1.28 | 1.96 | 2.58 |
   | \( \Phi(z) \) | 0.95 | 0.975 | 0.9951 |
**Question No. (2):** (30 degree):

(A) - Write for each of the following:
1. The concept of insurance determining the benefits of insurance in the society and its basic characteristics.
2. Fundamental legal principles on which insurance contracts are based.
3. Life insurance and its classifications

(B) - If the number of the survival persons at the age (x) in a mortality table can be represented from the following equation:

\[ L_x = 1000 \sqrt{100 - x} \]  
For each value of (x).

Determine:
1. The probability of surviving a person to the age 19 years.
2. The probability that a person which have 36 years old will died before having 84 years old.

**Question No. (3):** (30 degree):

(A) - If you have the following data about the mortality individuals number (D_x) at the different ages (x_i's) as follows:

<table>
<thead>
<tr>
<th>x_i</th>
<th>20</th>
<th>21</th>
<th>22</th>
<th>23</th>
<th>24</th>
<th>25</th>
<th>26</th>
<th>27</th>
<th>28</th>
<th>29</th>
</tr>
</thead>
<tbody>
<tr>
<td>D_x</td>
<td>300</td>
<td>320</td>
<td>360</td>
<td>400</td>
<td>430</td>
<td>450</td>
<td>510</td>
<td>570</td>
<td>600</td>
<td>630</td>
</tr>
</tbody>
</table>

Suppose that the survival individuals number at the beginning of age 20 years (Radix) i.e., \( L_{20} = 100000 \) person:-

**Required:**
1. Construct the mortality or life table.
2. From your preceding result in (1) determine:
   (2-1) The probability that a person which have 22 years old will still alive to 28 years old.
   (2-2) The probability that a person which have 20 years old will died before having 25 years old.
   (2-3) The probability that a person will still alive from the age 22 years to 26 years and die through the succeeding two years.
   (2-4) suppose that \( x = 30 \) is the terminal age in the preceding life or mortality table, i.e., \( \alpha = 30 \) or \( L_{30} = 0 \), then determine each of the curt ate and complete expectation life.

(B) - Prove that each of \( P_x, Q_x \) and \( P_x, Q_x \) are complementary.

Good Luck.....
Answer the following questions:

**Question one**

Choose the best answer for each of the following questions (Show computations if necessary):

1- The taxpayer is considered as normally residing in Egypt if:
   a- Residing in Egypt for a period more than 138 days during the year.
   b- If he/she is doing work abroad and get his salary from a foreign source.
   c- If Egypt is his permanent place of residence.
   d- None of the above.

2- Each of the following is a characteristic of tax on natural persons except:
   a- It is a direct tax imposed on natural persons only.
   b- It is a tax that adopted the principles of social and economic attachment.
   c- It is an in-kind tax.
   d- It is a progressive tax.

3- A taxpayer is working in another place other than his original work entity against a monthly bonus of L.E. 550 per month. The monthly tax due on this bonus is:
   a- L.E. 611.11  
   b- L.E. 600  
   c- L.E. 55  
   d- L.E. 660

4- The maximum amount of social security subscription exempted from the monthly basic salary is:
   a- L.E. 850  
   b- L.E. 900  
   c- L.E. 750  
   d- L.E. 500

5- The total revenues received by an employee from 1/1/2012 till 30/6/2012 amounted 15,000. He got L.E. 20,000 loan from his employer on 1/7/2012 against 3% annually. The taxed advantage in this case equal:
   a- L.E. 200  
   b- L.E. 600  
   c- Zero  
   d- None of the above

6- A contractor agreed to build a housing project with a total contracted value amounts L.E. 100,000,000. The contract estimated cost is L.E. 95,000,000. He finished half of the project during the first year with an actual cost of L.E. 57,000,000. The taxable revenue of this contract in the first year equal:
   a- L.E. 5,000,000  
   b- L.E. 2,500,000  
   c- L.E. 3,000,000  
   d- None of the above

7- The activities that are subject to the commercial and industrial tax include:
   a- Commercial and Industrial Firms and Mines and Petroleum Firms.
   b- Profits of small crafts and activities owners.
   c- Profits of all kinds of transport activity.
   d- All of the above
8- Non-commercial professions subject to tax include:
   a- Commission agents             b- Fashion defiles
   c- transportation activities     d- All of the above
9- The tax approved depreciation rate on intangible assets is:
   a- 5%       b- 10%       c- 25%       d- 50%
10- Which of the following statements is not correct regarding the conditions to subject revenues of non-commercial profession to tax:
    a- Independent practice of the profession or the activity.
    b- The profession or the activity must be based fundamentally, on capital element.
    c- Practice of the profession or the activity in Egypt.
    d- Professionalism of the profession or the activity.

Question Two
An employee in a private sector company gets L.E. 3,000 monthly salary, L.E. 500 nature of work allowance, and production incentives equal 20% of basic salary.
Other information:
1- Social security subscription on basic and variable wages amount L.E. 119 and L.E. 99 respectively.
2- The employee purchased a new car for his personal use its cost is L.E. 100,000. He paid 25% of the cost and the remaining amount is paid on monthly instalments of L.E. 800 to be deducted from his salary from 1/9/2012.
3- At the end of the year, he got L.E. 5,000 as encouragement bonus for his exceptional performance, in addition to his share of profits which amount L.E. 10,000.
4- He contributes to the company’s private insurance fund against L.E. 250 to be from his monthly salary.
5- He signed a life insurance policy from the beginning of the year on his life for the favour of his wife and minor children against L.E. 200 monthly premium.
Required
1- Calculate the monthly deductible tax.
2- Calculate the tax due on encouragement bonus and share of profits.

Question Three
Mustafa Ali is an engineer who owns an engineering office in Qena. The revenues and expenses of the office during 2011 according regular books were as follows:
First Revenues:
- L.E. 50,000 fees for designing building in Saudia Arabia, and there is L.E. 10,000 uncollected.
- L.E. 30,000 fees for engineering consultations for an Egyptian company performed during the period from 1/7/2010 till 30/6/2011.
- L.E. 40,000 fees for building designs in Egypt. This amount includes advance payment of L.E. 15,000 for designs that will be performed during 2012.
- L.E. 20,000 fees of building design for an Egyptian client. There is L.E. 15,000 due on this client have not been collected yet.
- L.E. 4,000 advertisement revenue on the office frontage for two years 2011 and 2012.
Second Expenses:
- L.E. 11,000 office rent, noting that the rent of December has not been paid.
- L.E. 15,000 salaries.
- L.E. 12,000 general and administrative expenses, out of which L.E. 2,000 are not supported by documents.
- L.E. 20,000 the cost of purchasing new engineering equipment on 1/7/2011. (Depreciation rate is 25%).
- L.E. 8,000 donations, half of them to a registered Egyptian charity while the other half for a charity on London.

Required
Calculate the taxable non-commercial profit for 2011.

**Question Four**
The following is the income statement for an Egyptian sole proprietorship for the year ended on 31/12/2012 (values in L.E.):

<table>
<thead>
<tr>
<th>Sales</th>
<th>300,570</th>
</tr>
</thead>
<tbody>
<tr>
<td>(-) Cost of goods sold</td>
<td></td>
</tr>
<tr>
<td>Beg. Inventory</td>
<td>20,000</td>
</tr>
<tr>
<td>+ Purchases</td>
<td>150,000</td>
</tr>
<tr>
<td>Cost of goods available for sale</td>
<td>170,000</td>
</tr>
<tr>
<td>- Ending Inventory</td>
<td>50,000</td>
</tr>
<tr>
<td>Gross profit</td>
<td>(120,000)</td>
</tr>
<tr>
<td>Less:</td>
<td>180,570</td>
</tr>
<tr>
<td>Salaries and Wages</td>
<td>45,000</td>
</tr>
<tr>
<td>General and Administrative Expenses</td>
<td>50,000</td>
</tr>
<tr>
<td>Advertising Expenses</td>
<td>10,000</td>
</tr>
<tr>
<td>Provisions</td>
<td>11,000</td>
</tr>
<tr>
<td>Bad Debts</td>
<td>3,000</td>
</tr>
<tr>
<td>Depreciation Expense</td>
<td>16,000</td>
</tr>
<tr>
<td>Interest Expenses</td>
<td>22,000</td>
</tr>
<tr>
<td>Insurance</td>
<td>8,000</td>
</tr>
<tr>
<td>Donations to the Egyptian Red Crescent</td>
<td>5,000</td>
</tr>
<tr>
<td></td>
<td>(170,000)</td>
</tr>
<tr>
<td>Add:</td>
<td>10,570</td>
</tr>
<tr>
<td>Interest on Deposits at Egyptian Banks</td>
<td>11,000</td>
</tr>
<tr>
<td>Revaluation profits</td>
<td>5,000</td>
</tr>
<tr>
<td>Recovered bad Debts</td>
<td>4,000</td>
</tr>
<tr>
<td>Net Profits</td>
<td>30,570</td>
</tr>
</tbody>
</table>

Additional information:
1- Ending inventory was computed at market value, while its cost is L.E. 45,000. The firm used to valuate inventory at cost.
2- Purchases include an invoice its value is L.E. 3,000 that was recorded twice.
3- Salaries include L.E. 6,000 as a salary for the owner against managerial work, employees’ salary which amount L.E. 2,000 monthly. The remaining amount is for end of service bonus, taking into consideration that this amount was deposited on a private fund which has an independent financial entity.
4- The general and administrative expenses include L.E. 5,000 undocumented expenses.
5- Advertising includes L.E. 200 periodical advertisement that paid monthly, the remaining amount for advertising campaign that will benefit the company for five years starting from 1/1/2012.
6- Provisions include L.E. 2,000 provision for doubtful debts and L.E. 9,000 provision for decline in stock prices.
7- The bad debt expense for debts that was due on 1/9/2012.
8- Depreciation expenses for depreciation of building at fixed annual rate 8%.
9- Interest expenses include L.E. 7,000 interest on capital, the remaining amount represent interest on loan taken from Al-Ahly bank on 1/3/2012 at a rate of 15%. The loan amount is L.E. 100,000. The interest rate declared by the Central Bank on 1/1/2012 is 8%.
10- Insurance item includes L.E. 4,000 insurance premium on the life of the owner. L.E. 1,000 insurance against fire and theft. The remaining amount is paid as insurance for governmental bid.
11- Half of the recovered bad debts have not been approved by the tax administration at the time of write-off.

Required:
Determine the tax bracket of commercial and industrial profits.

With my Best Wishes
Dr Mohamed Shabeeb
Question (1):

Choose the best answer.

1- Independent auditing can best be described as:
   a. A branch of accounting.
   b. A discipline that attests to the results of accounting and other functional operations and data.
   c. A professional activity that measures and communicates financial and business data.
   d. A regulatory function that prevents the issuance of improper financial information.

2- In comparison to the external auditor, an internal auditor is more likely to be concerned with:
   a. Internal administrative control
   b. Internal control
   c. Cost accounting procedures
   d. Operational auditing

3- Compliance auditing often extends beyond audits leading to the expression of opinions on the fairness of financial presentation and includes audits of efficiency, economy, effectiveness, as well as:
   a. Accuracy
   b. Evaluation
   c. Adherence to specific rules or procedures
   d. Internal control

4- Which one of the following is more difficult to evaluate objectively?
   a. Presentation of financial statements in accordance with generally accepted accounting principles.
   b. Compliance with government regulations.
   c. Efficiency and effectiveness of operations.
   d. All three of the above are equally difficult.

5- Which of the following can be significantly affected by an audit?
   a. Business risk
   b. Information risk.
   c. The risk-free interest rate.
   d. Inherent risk.
6- The first general standard, which states in part that the audit must be performed by a person or persons having adequate technical training, require that an auditor have:
   a. Knowledge in the areas of financial accounting
   b. Education and experience in the field of auditing
   c. Proficiency in business and financial matters
   d. Ability in the planning and supervision of the audit work
7- What is the general character of the three generally accepted auditing standards classified as standards of field work:
   a. The competence, independence, and professional care of persons performing the audit.
   b. Criteria for the content of the auditor’s report on financial statements and related footnote disclosures.
   c. The criteria of audit planning and evidence gathering.
   d. The need to maintain independence in mental attitude in all matters pertaining to the audit.
8- Which of the following is the least likely form of business for a CPA firm?
   a. General partnership
   b. General corporation
   c. Limited liability company
   d. Limited liability partnership
9- A basic objective of a CPA firm is to provide professional services to conform to professional standards. Reasonable assurance of achieving this basic objective is provided through:
   a. Continuing professional education
   b. A system of quality control
   c. Compliance with generally accepted reporting standards
   d. A system of peer review
10- The Statements on Auditing Standards issued by the Auditing Standards Board:
   a. Are interpretations of generally accepted auditing standards.
   b. Are the equivalent of laws for audit practitioners
   c. Must be followed in all situations.
   d. Are optional guidelines which an auditor may choose to follow or not follow when conducting an audit.
11- The date of the CPA’s opinion on the financial statements of the client should be the date of the:
   a. Closing of the client’s books
   b. Receipt of the client’s letter of representation
   c. Completion of all important audit procedures
   d. Submission of the report to the client
12- When the financial statements are fairly stated out but the auditor concludes there is substantial doubt whether the client can continue in existence, the auditor should issue a(an):
   a. Adverse opinion
   b. Qualified opinion only
   c. Unqualified opinion
   d. Unqualified opinion with explanatory paragraph

13- An auditor will most likely disclaim an opinion because of:
   a. The client’s failure to present supplementary information required by the Financial Accounting Standards Board (FASB).
   b. Inadequate disclosure of material information.
   c. A client-imposed scope limitation.
   d. The qualification of an opinion by the other auditor of a subsidiary when responsibility has been divided.

14- For the report containing a disclaimer for lack of independence, the disclaimer is in the:
   a. Third or opinion paragraph
   b. Second or scope paragraph
   c. First and only paragraph
   d. Fourth or explanatory paragraph

15- The “unqualified report with explanatory paragraph” and the “unqualified report with modified wording”:
   a. Arise as a result of an incomplete audit
   b. Arise when the financial statements are not “presented fairly.”
   c. Meet the criteria of a complete audit with satisfactory results
   d. Meet the criteria of a complete audit but with unsatisfactory results

**Question (2):**

State whether each of the following statement is True (T) or False (F) and comment on the false statements.

1- The criteria used by an external auditor to evaluate published financial statements are known as generally accepted auditing standards.

2- The Sarbanes-Oxley Act establishes standards related to the audits of privately held companies.

3- Results of compliance audits are typically reported to someone within the organizational unit being audited rather than to a broad spectrum of outside users.

4- CPA firms are never allowed to provide bookkeeping services for audit clients.

5- Section 404 of the Sarbanes-Oxley Act requires public companies to have an external auditor attest to their internal control over financial reporting.

6- Limited liability companies are structured and taxed like a general partnership, but their owners have limited personal liability similar to that of a general corporation.
7- International Standards on Auditing are issued by the International Auditing Practices Committee.

8- Proper planning and supervision is one of the three General Standards.

9- The standards issued by the Public Company Accounting Oversight Board must be followed by CPAs who audit private firms.

10- Limited liability partnership is the most likely form of business for a CPA firm.

11- Changes in an estimate, such as a change in the estimated useful life of an asset for depreciation purposes, affect consistency but not comparability, and therefore require an explanatory paragraph in the audit report.

12- When an auditor decides that adherence to GAAP would result in misleading financial statements, the auditor has no choice but to issue a qualified audit report.

13- Whenever an auditor issues a qualified report, he or she must use the term “except for” in the opinion paragraph.

14- Whenever an auditor discovers a highly material GAAP violation in the financial statements, the auditor should issue an adverse opinion.

15- When there is a scope limitation in an audit, the audit report will be unqualified, qualified scope and opinion, or adverse, depending on the materiality of the scope limitation.

**Question (3):**

**Briefly answer the following questions:**

1- Define auditing and explain what is meant by its key components (i.e. information and established criteria, audit evidence, competent and independent person, and reporting).

2- What are the three general standards of the Generally Accepted Auditing standards?

3- Identify the six characteristics that determine the reliability of evidence. For each characteristic, provide one example of a type of evidence that is likely to be reliable.

**Question (4):**

A. The audit report contains the following paragraph:

“As discussed in Note 5 to the financial statements, the company changed its method of computing depreciation in 2012 from the straight line method to the declining balance method”.

**Required:**

1- Identify the type of this audit report.

2- List the circumstances that require the issuance of this type of audit reports (without explanation).
B. The audit report contains the following opinion paragraph:

"In our opinion, except for the effects of not capitalizing lease obligation, as discussed in preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of ABC Company as of December 31, 2012, and the results of its operations and its cash flows for the year then ended in conformity with GAAP".

**Required:**
1- Identify the type of this audit report.
2- List the circumstances that require the issuance of this type of audit reports (without explanation).

C. In each of the following cases, determine the appropriate audit report.

1- XY Corporation carries its property, plant, and equipment accounts at current market values. Current market values exceed historical cost by a highly material amount, and the effects are pervasive throughout the financial statements.

2- You were unable to confirm accounts receivable with Becker's customers. However, because of detailed sales and cash receipts records, you were able to perform reliable alternative audit procedures.

3- You recently noticed that ABC Company routinely excludes their statement of cash flows in the company's annual financial statements. Their reasoning, as explained to you, is that the statements are confusing to their readers, so they prefer to leave the information out.
South valley University
Faculty of Commerce – English Section
Public Finance, Jan 2014
Time: 3 Hours – 3rd year

Answer the following questions:

The first question:
(A) Use a production-possibility curve to show the cost of increasing government provision of medical service.
(B) What is Ricardian equivalence, and what does it imply about the impact of the government budget deficit on the economy and the desirability of borrowing versus raising taxes to finance government expenditures?

The second question:
What are the steps necessary to implement a cost-benefit analysis of a government program?

The third question:
(A) What is the effect on savings of a tax cut of $10 billion? Is this inflationary or deflationary? If MPC = 0.85
(B) What is the effect of an increase in government spending, where no change in taxes takes place and the deficit is financed by borrowing?
(C) From an economic point of view, what is the danger of a balanced government budget?

Good Luck
South Valley University  
Faculty of Commerce  
Department of Accounting  

Time: Three Hours  
Year: 3  
January 2013  
Two pages  
Cost Accounting  

First Question:

London Company provides the following data for 2007:
1. Inventories were as follows:
   
   \[
   \begin{array}{c|c|c}
   & 1/1/2007 & 31/12/2007 \\
   \hline
   Materials inventory & $25000 & $40000 \\
   Work-in-process inventory & 60000 & 40000 \\
   Finished goods inventory & 80000 & 60000 \\
   \end{array}
   \]
2. Purchases of materials during the year were $165000.
3. Costs for the period were as follows:
   - Materials put into production (80% direct materials)
   - Total labour costs (25% indirect labour)
   - Factory overhead (excluding indirect materials & indirect labour)
   
   \[?? \quad 20000 \quad 90000\]
4. Selling expenses were $20000, and administrative expenses were $30000.

Required:
   a. Prepare the following statements:
      1. Cost of goods manufactured
      2. Cost of goods sold
   b. Compute the following:
      1. Product costs
      2. Conversion costs
      3. Prime costs
      4. Period costs

Second Question:

Liverpool Corporation uses a perpetual inventory system and provided the following data concerning the raw materials inventory for the month of July:
1 July  Beginning balance 2500 units at $7 per unit.
3 July  Purchased for cash 1500 units costing $8 per unit.
5 July  Placed into production 3000 units.
12 July Purchased on account 3500 units costing $9 per unit.
21 July Placed into production 1500 units.
26 July Purchased for cash 2500 units at $10 per unit.
31 July Placed into production 2000 units.

Required:
Prepare the subsidiary inventory ledger, determining the cost of materials issued (used) and the cost of the ending inventory, using the LIFO method, assuming that the market price (replacement cost) at 31 of July was $8 per unit (taking into consideration the LCM rule).

Third Question:

a- The Sliver Moon Company has the following vacation policy for its workers:
   2 to 4 years of service: 1 week paid vacation
   5 to 10 years of service: 2 weeks paid vacation
   Over 10 years of service: 3 weeks paid vacation
The payroll records show the following (all employees work directly on production):

<table>
<thead>
<tr>
<th>Employee</th>
<th>Years of Employment</th>
<th>Weekly Salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Mark</td>
<td>4</td>
<td>$300</td>
</tr>
<tr>
<td>B. John</td>
<td>7</td>
<td>200</td>
</tr>
<tr>
<td>C. Robert</td>
<td>9</td>
<td>450</td>
</tr>
<tr>
<td>D. Cone</td>
<td>12</td>
<td>400</td>
</tr>
<tr>
<td>E. Rose</td>
<td>1</td>
<td>100</td>
</tr>
</tbody>
</table>

Required:
1- Compute the amount should be accrued each week for each employee.
2- Prepare the journal entry to record the payroll.

b- The Gold Star Company adopted an incentive plan. The factory workers are paid $5 per unit with a minimum guaranteed wage of $240 per week ($6 per hour). All employees worked a total of 40 hours for the week ending May 21, 2004. The report on employees' productivity for that week follows:

**Weekly Summary**

<table>
<thead>
<tr>
<th>Employee's Name</th>
<th>Units Produced</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Ahmed</td>
<td>56</td>
</tr>
<tr>
<td>H. Hady</td>
<td>52</td>
</tr>
<tr>
<td>N. Naser</td>
<td>46</td>
</tr>
<tr>
<td>M. Mohamed</td>
<td>54</td>
</tr>
<tr>
<td>T. Tamer</td>
<td>44</td>
</tr>
</tbody>
</table>

Required:
1- Compute each employee's gross wage.
2- Prepare the journal entry to record the total payroll.

**Fourth Question**

The Manchester Company has two service departments (A, & B) and two production departments (M & N). The budgeted overhead costs for the period for the service and producing departments were as follows:

1. **Service departments’ costs:**
   - Department A $50000
   - Department B 30000

2. **Producing departments’ costs:**
   - Department M $80000
   - Department N 70000

**Additional information:**
1- Department A services Departments B, M and N in a ratio of 2: 3:5, respectively.
2- Department B services Departments M and N in a ratio of 2: 3, respectively.
3- The producing departments’ factory overhead application rates based on direct labour hours. The direct labour hours estimated for the period were 5000 in department M and 4000 in department N.

Required:

a. Allocate the total costs of the service departments to the producing departments using the Step method.
b. Compute the factory overhead application rates for the two producing departments.

Best Wishes
The First Question: (45 Marks)
Select the correct answer for each of the following question:

1- To be independent of other business functions, internal auditors should report to any but which of the following?
   a- Company president.
   b- Vice president of sales.
   c- Audit committee of the board of directors.
   d- Board of directors.

2- Three common types of attestation services are
   a- audits, reviews, and "other" attestation services.
   b- audits, verifications, and "other" attestation services.
   c- reviews, verifications, and "other" attestation services.
   d- audits, reviews, and verifications.

3- The provisions of the Sarbanes-Oxley Act apply to which of the following companies?
   a- All companies.
   b- Privately-held companies.
   c- Public companies.
   d- All public companies and privately-held companies with assets greater than $250 million.

4- The statements most commonly included in an audit of financial statements are the
   a- statement of financial position, the income statement, and the statement of changes in financial position.
   b- income statement, the statement of changes in financial position, and the statement of net working capital.
   c- statement of changes in financial position, the statement of cash flows, and the retained earnings statement.
   d- statement of financial position, the income statement, and the statement of cash flows.

5- The use of the title Certified Public Accountant (CPA) is regulated by
   a- the federal government through the licensing department of the Commerce Department.
   b- state law through a licensing department/agency of each state.
   c- the American Institute of Certified Public Accountants (AICPA) through the licensing departments of the tax and auditing committees.

6- An audit of financial statements is conducted to determine whether the
   a- organization is operating efficiently and effectively.
   b- entity is following specific procedures or rules set down by some higher authority.
   c- members of the management team are fulfilling their fiduciary responsibilities to shareholders.
   d- none of the above.
7- An audit to determine whether an entity is following specific procedures or rules set down by some higher authority is classified as a(n)
a- audit of financial statements.
b- compliance audit.
c- operational audit.
d- production audit.

8- Which of the following services provides the lowest level of assurance about a company’s financial statements?
a- Review of financial statements.
b- Audit of financial statements.
c- These services provide no assurance about a company’s financial statements.
d- These services provide the same level of assurance about a company’s financial statements.

9- In “auditing” financial accounting data, the primary concern is with
a- determining whether recorded information properly reflects the economic events that occurred during the accounting period.
b- determining if fraud has occurred.
c- determining if taxable income has been calculated correctly.
d- analyzing the financial information to be sure that it complies with government requirements.

10- Which of the following services is not a Trust Services Principle as developed by the AICPA and CICA?
a- Online privacy.
b- Availability.
c- Functional integrity.
d- Security.

11- The Sarbanes-Oxley Act prohibits a CPA firm that audits a public company from providing which of the following types of services to that company?
a- Reviews of quarterly financial statements.
b- Preparation of corporate tax returns.
c- Most consulting services.
d- All of above are prohibited services.

12- Which of the following can be significantly affected by an audit?
a- Business risk.
b- Information risk.
c- The risk-free interest rate.
d- All of these.

13- “Other assurance services” are similar to, yet differ somewhat from, attestation services. When performing “other assurance services,” the CPA
a- is not required to issue a written report, and the assurance is about the reliability and relevance of information.
b- is required to issue a written report, and the assurance is about the reliability and relevance of information.
c- is not required to issue a written report, and the assurance is about the completeness and sufficiency of information.
d- is required to issue a written report, and the assurance is about the completeness and sufficiency of information.

14- Which one of the following is not a Field Work Standard?
a- Proper planning and supervision.
b- Due professional care.
c- Study the internal control structure.
d- Gather sufficient competent evidence.

15- The generally accepted auditing standard that requires "Adequate technical training and proficiency" is normally interpreted as requiring the auditor to have
a- formal education in auditing and accounting.
b- adequate practical experience for the work being performed.
c- continuing professional education.
d- all of the above.

16- Members of the of the Public Company Accounting Oversight Board are appointed and overseen by
a- the U.S. Congress.
b- the American Institute of Certified Public Accountants.
c- the Auditing Standards Board.
d- the Securities and Exchange Commission.

17- Which of the following statements most accurately captures the intent of the standards of field work?
a- Field work standards are primarily concerned with personal attributes necessary during the conduct of the audit.
b- Field work standards provide extensive guidance regarding the conduct of an audit.
c- Field work standards are primarily directed at the auditor’s planning, understanding of internal control, and evidence accumulation.
d- Field work standards are primarily concerned with the conduct of substantive testing as opposed to testing of internal controls.

18- Generally accepted auditing standards are
a- rules imposed by the U.S. Congress.
b- rules imposed by the Securities and Exchange Commission.
c- rules imposed by the American Institute of CPAs.
d- general guidelines to aid auditors.

19- An auditor need not abide by a particular auditing standard if the auditor believes that
a- the amount involved is immaterial.
b- the requirement of the standard is impractical to perform.
c- the requirement of the standard is impossible to perform.
d- any of the above three are correct.

20- If the Public Company Accounting Oversight Board (PCAOB) identifies a violation during its inspection of a registered accounting firm, which of the following may occur?
a- The PCAOB could enforce some disciplinary action against the accounting firm.
b- The PCAOB could report the matter to the Securities and Exchange Commission.
c- The PCAOB could report the matter to the appropriate state accountancy board.
d- The PCAOB could take any or all of the above steps if it identifies a violation.

21- Statements on Standards for Accounting and Review Services are issued by
a- the Accounting and Review Services Committee.
b- the Professional Ethics Executive Committee.
c- the Securities and Exchange Commission.
d- the Financial Accounting Standards Board.

22- The auditor’s judgment concerning the overall fairness of presentation of financial position, results of operations, and changes in cash flow is applied within the framework of
a- quality control.
b- generally accepted auditing standards which include the concept of materiality.
c- the auditor’s evaluation of the audited company’s internal control.
d- generally accepted accounting principles.

23- Within the context of quality control, the primary purpose of continuing professional education and training activities is to enable a CPA firm to provide firm personnel with
a- technical training that assures proficiency as an auditor.
b- professional education that is required in order to perform with due professional care.
c- knowledge required to fulfill assigned responsibilities and to progress within the firm.
d- knowledge required in order to perform a peer review.

24- Hansen Corporation’s stock is listed on a national stock exchange and registered with the Securities and Exchange Commission. Hansen’s management hires a CPA to perform an independent audit of Hansen’s financial statements. The primary objective of this audit is to provide assurance to the
a- investors in Hansen Corporation’s stock.
b- stock exchange.
c- Securities and Exchange Commission.
d- management of Hansen Corporation.

25- If an auditor of a public company cannot find guidance issued by the PCAOB on a particular audit matter, the auditor should generally seek guidance from which of the following sources?
a- Statements on Auditing Standards.
b- Statements on Standards for Accounting and Review Services.
c- Regulations issued by the Securities and Exchange Commission.
d- The AICPA Code of Professional Conduct.
26- Which one of the following statements is not true with respect to an audit report issued for a private company's financial statements?
   a- The auditor's report must state whether the client has provided adequate disclosure on the financial statements and in the accompanying notes.
   b- The auditor's report must disclose if GAAP was not consistently followed from the prior period to the current period.
   c- The auditor's report must state whether the financial statements were prepared with GAAP.
   d- The auditor's report must express an opinion on the financial statements taken as a whole, or explain why there is no opinion provided.

27- Which one of the following is not a requirement for belonging to the Private Companies Practice Section of the American Institute of Certified Public Accountants?
   a- Adherence to quality control standards.
   b- Mandatory peer review.
   c- Partner rotation on audits after a period of ten consecutive years.
   d- Continuing education.

28- To emphasize the fact that the auditor is independent, the addressee of the audit report is usually
   a- the company's management.
   b- the stockholders of the client company.
   c- the board of directors of the client company.
   d- either b or c.

29- The scope paragraph of the standard unqualified audit report states that the audit is designed to
   a- discover all errors and/or irregularities.
   b- discover material errors and/or irregularities.
   c- conform to generally accepted accounting principles.
   d- obtain reasonable assurance whether the statements are free of material misstatement.

30- The audit report date indicates
   a- the last day of the auditor's responsibility for the review of significant events that occurred after the date of the financial statements.
   b- the date on which the financial statements were filed with the Securities and Exchange Commission.
   c- the last date on which users may institute a lawsuit against either client or auditor.
   d- the last day of the fiscal period.

31- An adverse opinion is issued when the auditor believes
   a- some parts of the financial statements are materially misstated or misleading.
   b- the financial statements will be found to be misleading or misstated, if an adequate investigation is performed.
   c- the overall financial statements are so materially misstated or misleading as a whole that they do not present fairly the financial position or results of operations and cash flows in conformity with GAAP.
d- the audit firm is not independent.

32- Whenever an auditor issues an unqualified opinion, the implication is that the auditor
a- does not know if the statements are presented fairly in accordance with GAAP.
b- does not believe the statements are presented fairly in accordance with GAAP.
c- is satisfied that the statements are presented fairly in accordance with GAAP except for a
specific aspect of them.
d- is satisfied that the statements are presented fairly in accordance with GAAP.

33- Whenever an auditor issues an audit report for a public company, the auditor can choose to
issue a report in which of the following forms?
a- A combined report on financial statements and internal control over financial reporting.
b- Separate reports on financial statements and internal control over financial reporting.
c- Either a or b.
d- Neither a nor b.

34- When the auditor knows that the financial statements may be misleading because they were
not prepared in conformity with generally accepted accounting principles, he or she must issue
a- a qualified opinion.
b- an adverse opinion.
c- a disclaimer of opinion.
d- a qualified or an adverse opinion, depending on the materiality of the item in question.

35- The only unqualified opinions which use modified wording are those involving
a- the use of other auditors.
b- material uncertainties.
c- substantial doubt about going concern.
d- lack of consistent application of GAAP.

36- Under certain circumstances, the CPA may wish to emphasize specific matters regarding the
financial statements even though he or she intends to express an unqualified opinion. Normally,
such explanatory information should be
a- included in the scope paragraph.
b- included in a separate paragraph in the report.
c- included in the opinion paragraph.
d- included in the introductory paragraph.

37- When the auditor evaluates the effect of a change in accounting principle, the materiality of
the change should be evaluated based
a- on the prior years presented.
b- on the current year effect of the change.
c- on whatever basis the auditor considers appropriate.
d- on the effect on total assets.
38- The audit report indicates that (1) management is responsible for the content of the financial statements and (2) the auditor is responsible for evaluating the appropriateness of the accounting principles chosen by management. Which paragraph contains those statements?
   a- Both are in the introductory paragraph.
   b- Both are in the scope paragraph.
   c- Both are in the opinion paragraph.
   d- None of the above is true.

39- Both disclaimers and adverse opinions are used
   a- only when the condition is highly material.
   b- whether the condition is material or not.
   c- regardless of the auditor’s independence.
   d- regardless of client’s choice of a non-GAAP accounting method.

40- A combined report on financial statements and internal control over financial reporting includes all but which of the following types of paragraphs?
   a- Inherent limitations paragraph.
   b- Description paragraph.
   c- Opinion paragraph.
   d- Each of the above is included.

41- Audit report language may be modified for which of the following conditions?
   a- Lack of consistent application of generally accepted accounting principles.
   b- Substantial doubt about going concern.
   c- Reports involving other auditors.
   d- Emphasis of a matter.

42- If the auditor is determined to lack independence, a disclaimer of opinion must be issued
   a- if the client requests it.
   b- only if it is highly material.
   c- only if it is material but not highly material.
   d- in all cases.

43- Of the two major categories of scope restrictions, (1) those caused by client and (2) those caused by conditions beyond the control of either client or auditor, the effect on the auditor’s report
   a- is the same for either.
   b- is more serious for 1 than for 2.
   c- is more serious for 2 than for 1.
   d- is negligible.

44- Which of the following is least likely to cause uncertainty about the ability of a company to continue as a going concern?
   a- Legal proceedings against another company in which the audit client claims the other party has infringed on the company’s patent.
   b- Loss of major customers.
c- Significant recurring operating losses.
d- Working capital deficiencies.

45- When a disclaimer is issued because the auditor lacks independence,
a- no report title is included on the report.
b- a one-paragraph audit report is issued.
c- the only reason cited for issuing the disclaimer is the lack of independence.
d- all of the above are correct.

**The Second Question: (22 Marks)**

*Indicate which of the following is true or false.*

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td><strong>1-</strong></td>
<td>The criteria used by an external auditor to evaluate published financial statements are known as generally accepted auditing standards.</td>
</tr>
<tr>
<td><strong>2-</strong></td>
<td>The Sarbanes-Oxley Act is widely viewed as having ushered in sweeping changes to auditing and financial reporting.</td>
</tr>
<tr>
<td><strong>3-</strong></td>
<td>The financial statements most commonly audited by external auditors are the balance sheet, the income statement, and the statement of cash flows.</td>
</tr>
<tr>
<td><strong>4-</strong></td>
<td>Results of compliance audits are typically reported to someone within the organizational unit being audited rather than to a broad spectrum of outside users.</td>
</tr>
<tr>
<td><strong>5-</strong></td>
<td>CPA firms are never allowed to provide bookkeeping services for audit clients.</td>
</tr>
<tr>
<td><strong>6-</strong></td>
<td>The criteria that is most likely to be used as a framework in evaluating a company’s internal control over financial reporting under Section 404 of the Sarbanes-Oxley Act is Internal Control - Integrated Framework.</td>
</tr>
<tr>
<td><strong>7-</strong></td>
<td>Membership in the AICPA is mandatory for all licensed practicing CPAs.</td>
</tr>
<tr>
<td><strong>8-</strong></td>
<td>Auditors of public companies should, in the absence of guidance issued by the PCAOB, follow auditing standards issued by the ASB.</td>
</tr>
<tr>
<td><strong>9-</strong></td>
<td>Form 10-K must be filed with the SEC whenever a public company experiences a significant event.</td>
</tr>
<tr>
<td><strong>10-</strong></td>
<td>Limited liability companies (LLCs) are structured and taxed like a general partnership, but their owners have limited personal liability similar to that of a general corporation.</td>
</tr>
<tr>
<td><strong>11-</strong></td>
<td>The standards of reporting require that the audit report state whether the financial statements are presented in accordance with generally accepted auditing standards.</td>
</tr>
<tr>
<td><strong>12-</strong></td>
<td>Any CPA firm that audits more than 100 publicly held companies is required to have annual inspections by the PCAOB.</td>
</tr>
<tr>
<td><strong>13-</strong></td>
<td>Audit reports issued for financial statements of a public company should refer to generally accepted auditing standards in the scope paragraph.</td>
</tr>
<tr>
<td><strong>14-</strong></td>
<td>A qualified report is issued when all auditing conditions have been met, no significant misstatements have been discovered, and it is the auditor’s opinion that the financial statements are fairly stated in accordance with GAAP.</td>
</tr>
<tr>
<td><strong>15-</strong></td>
<td>The phrase “generally accepted accounting principles” can be found in the opinion paragraph of a standard unqualified report.</td>
</tr>
<tr>
<td><strong>16-</strong></td>
<td>Changes in an estimate, such as a change in the estimated useful life of an asset</td>
</tr>
<tr>
<td></td>
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<tr>
<td>---</td>
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</tr>
<tr>
<td><strong>17-</strong></td>
<td>The phrase “auditing standards generally accepted in the United States of America” can be found in the opinion paragraph of a standard, unqualified audit report for a public company.</td>
</tr>
<tr>
<td><strong>18-</strong></td>
<td>Whenever an auditor issues a qualified report, he or she must use the term “except for” in the opinion paragraph.</td>
</tr>
<tr>
<td><strong>19-</strong></td>
<td>When there is a scope limitation in an audit, the audit report will be unqualified, qualified scope and opinion, or adverse, depending on the materiality of the scope limitation.</td>
</tr>
<tr>
<td><strong>20-</strong></td>
<td>When a qualified opinion is issued, an explanatory paragraph is added immediately after the opinion paragraph to explain the nature of the qualification that affects the opinion.</td>
</tr>
<tr>
<td><strong>21-</strong></td>
<td>When an auditor relies upon a different CPA firm to perform part of the audit and chooses to issue a shared opinion, the wording of the report should be modified in all three paragraphs.</td>
</tr>
<tr>
<td><strong>22-</strong></td>
<td>If an auditor is not independent and the auditor knows that the company has not followed generally accepted accounting principles, the auditor should immediately disclaim an opinion and not mention the departure from GAAP in the audit report.</td>
</tr>
</tbody>
</table>

**The Third Question (22 Marks):**

1- Explain what is meant by information risk, and discuss the four causes of this risk (6 Marks)

2- Describe the various staff levels and responsibilities of a typical public accounting firm (8 Marks)
3- In certain circumstances, an auditor will issue an unqualified report, but the wording will differ from that of a standard unqualified report. Discuss each of the five circumstances when an auditor would issue an unqualified report with an explanatory paragraph or modified wording. (8 Marks)

The Fourth Question (11 Marks):

An audit report prepared by Garrett and Brown, CPAs, is provided below. The audit for the year ended December 31, 2007 was completed on March 1, 2008, and the report was issued to Javlin Corporation, a private company, on March 13, 2008. List any deficiencies in this report. Do not rewrite the report.

We have examined the accompanying financial statements of Dalton Corporation as of December 31, 2007. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these statements based on our audit.
We conducted our audit in accordance with generally accepted accounting principles. Those principles require that we plan and perform the audit to provide reasonable assurance about whether the financial statements are free of misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, except for the effects of not capitalizing certain lease obligations that should be capitalized in order to conform with generally accepted accounting principles, the financial statements referred to above present accurately the financial position of Jacob Corporation as of December 31, 2007, in conformity with accounting principles generally accepted in the United States of America.

Garrett and Brown, CPAs

March, 2008

With My Best Wishes
"Good Organization, Longhand and Avoidance of Scribble are appreciated"

Answer the Following Questions:

**Question No. (1): (1 hour)**
Write a short paragraph for each of the following:
(1-1): Peril and Hazards.
(1-2): The meaning of risk and its categories.
(1-3): Methods of handling risk.
(1-4): Insurance and its basic characteristics.

**Question No. (2): (1 hour)**
(2-1): Show, the fundamental legal principles in risk and insurance.
(2-2): Assume that an actuary estimates for a sample of 100 from the exposure units of a certain loss as it is shown in the following probability distribution:

<table>
<thead>
<tr>
<th>$x_i$</th>
<th>1000</th>
<th>3000</th>
<th>5000</th>
<th>7000</th>
<th>10000</th>
<th>15000</th>
</tr>
</thead>
<tbody>
<tr>
<td>$P(x_i)$</td>
<td>0.10</td>
<td>0.15</td>
<td>0.35</td>
<td>0.20</td>
<td>0.15</td>
<td>0.05</td>
</tr>
</tbody>
</table>

Where: the values of the various losses ($x_i$) in thousand (L.E.)

**Required:**
A- Determine the expected loss and its standard error.
B- Assuming that ($x_i$) is a random variable has a normal distribution, determine the percentage of the exposure units by which they have at most 1444.359 L.E. as a loss for this certain risk.
C- Determine the average of loss by which at least 97.5% from the exposure units of this sample have it.

**Question No. (3): (1 hour)**
(3-1): Show the different types of life insurance.
(3-2): The following table represents the mortality probabilities at the different ages ($x_i's$):

<table>
<thead>
<tr>
<th>$x_i$</th>
<th>30</th>
<th>31</th>
<th>32</th>
<th>33</th>
<th>34</th>
</tr>
</thead>
<tbody>
<tr>
<td>$Q(x_i)$</td>
<td>0.00209</td>
<td>0.00308</td>
<td>0.00343</td>
<td>0.00346</td>
<td>0.00358</td>
</tr>
<tr>
<td>$x_i$</td>
<td>35</td>
<td>36</td>
<td>37</td>
<td>38</td>
<td>39</td>
</tr>
<tr>
<td>$Q(x_i)$</td>
<td>0.00371</td>
<td>0.00376</td>
<td>0.00382</td>
<td>0.00423</td>
<td>0.00475</td>
</tr>
</tbody>
</table>
Suppose that \( x=30 \) is the starting age in the mortality table, and the radix of that table is \( L_{30} = 100000 \) person.

**Required:**
1- Construct the life or mortality table.
2- Prove that each of \( (P_x, Q_x) \) and \( (\text{"}P_x, \text{"}Q_x) \) are complementary.
3- From your preceding results in (1) determine each of the following:

\[
^{5}P_{30}, \quad ^{5}Q_{33}, \quad ^{5/2}Q_{32}, \quad ^{3/5}Q_{30}
\]

**Best wishes... Good luck...**
Answer all 4 questions

**Question one: choose the right answer from a) and B) mark your choice in the answer sheet:**

(30 marks)

1. Purchasing departments are now smaller than it was before with reduction of personnel.
   - A) True  B) False

2. Outbound logistics mean warehousing and distribution of finished goods.
   - A) True  B) False

3. Supply chain activities are only strategic activities.
   - A) True  B) False

4. When companies focus on their core competencies and partner with other companies to create supply chains, they focus on vertical integration.
   - A) True  B) False

5. Decentralized purchasing allows communicating more rapidly with operations departments.
   - A) True  B) False

6. It is better to use decentralisation in purchasing of specialized products.
   - A) True  B) False

7. In traditional purchasing process, companies use ERP and electronic invoices.
   - A) True  B) False

8. When specifications are inadequate, two step bidding may enable the buyer to combine negotiations with the bidding process.
   - A) True  B) False

9. A firm with a higher degree of vertical integration is poised to better coordination upstream and downstream activities.
   - A) True  B) False

10. One of the negotiations barriers is the conflict management style of both negotiators.
    - A) True  B) False

11. Inventory can facilitate cost efficient of operations.
    - A) True  B) False

12. Increasing inventory would increase risk related to obsolete, deterioration and devaluation.
    - A) True  B) False

13. Cost advantage can be created by changing individual value chain activities to increase uniqueness in the final product.
    - A) True  B) False

14. Outsourcing includes risks related instability of markets and political situations.
    - A) True  B) False

15. The idea of Value System considers that links exist only in the firm value chain.
    - A) True  B) False

**Question two: choose the right answer from A), B), C), D) and E) mark your choice in the answer sheet:**

(30 marks)

1. Examples of direct purchases are:
   A) Capital goods and services  B) Machines  C) Lubricants  D) Raw material  E) Electricity services

2. The primary value chain activities are..............
   A) HR Management  B) Firm infrastructure  C) Procurement  D) all of the above  E) None of the above

3. A supply chain is a sequence of firms that perform activities required:
   A) to find products that are similar  B) to facilitate wholesalers inventory selections.
   C) to create synergy in their training programs  D) to create and deliver goods to consumers.
   E) to support the acquisition of raw materials.

4. Which of the following can be considered as one of the inbound logistics technologies?
   A) Transportation  B) Communication  C) Material handling  D) Testing  E) All of the above

5. An important feature of supply chain management is its application of electronic commerce technology that allows companies to share and operate systems for:
A) order processing, transportation scheduling, and inventory management.
B) cost-effective flowing of raw materials C) future purchasing of computer systems
D) future merger opportunities E) none of the above
6. A supply chain is essentially a sequence of linked:
   A) customer and prospects B) supplier and manufacturer C) suppliers and customers
   D) warehousing and wholesaling units E) events in the marketing process
7. Poor supply chain management practices can................to an otherwise excellent marketing strategy.
   A) do serious damage B) make SWOT analysis difficult C) keep people working
   D) mean quarter lessons E) none of the above
8. Lead time and is the same as:
   A) customer service time B) supply chain flow C) logistical issues
   D) replenishment time E) real time service time
9. A ............ is the inventory level that generates the purchase of a predetermined amount of
   replenishment inventory.
   A) The minimum level B) the reorder point C) safety stock D) maximum level E) none of the above
10. The reorder point can be different for every item of inventory, since every item..............
    A) may have a different usage rate
    B) may require different amounts of time to receive a replenishment delivery from a supplier.
    C) may have different lead time
    D) all of the above
    E) none of the above

**Question three:**

(20 marks)

An auto parts supplier sells QQ-brand batteries to car dealers and auto mechanics. The annual demand is approximately 1,200 batteries. The supplier pays $28 for each battery and estimates that the annual holding cost is 30 percent of the battery’s value. It costs approximately $20 to place an order (managerial and clerical costs). The supplier currently orders 100 batteries per month.

A) Determine the ordering, holding, and total inventory costs for the current order quantity.
B) Determine the economic order quantity (EOQ).
C) How many orders will be placed per year using the EOQ?
D) Determine the ordering, holding, and total inventory costs for the EOQ. How has ordering cost holding cost, total inventory cost changed?

**Question four:**

(20 marks)

In Question three, the supplier works 240 days per year. If the lead time is 10 days and sometimes reach 13 days:

A) Count the safety stock that the supplier can keep and count the reorder level of inventory.
B) Count the Maximum and Minimum levels of inventory.
C) Draw a diagram and illustrate how the supplier can control his inventory using the maximum-
minimum system and safety stock.
D) Draw a diagram and illustrate how the different types of cost and EOQ relate to each other.

End of Questions
With My Best Wishes
Dr. Alaa Taweel Mohamed

2/3
South Valley University – Faculty of Commerce  
Business Administration Department  
Third year students - Purchasing Exam, Jan. 2013  
Time allowed three hours

Answer Sheet

Circle the right answer of each question in the answer sheet

Example  
\[ 1 \quad \text{A} \quad \text{b} \]  
\[ 1 \quad \text{A} \quad \text{B} \quad \text{C} \quad \text{D} \quad \text{E} \]

<table>
<thead>
<tr>
<th>Question one</th>
<th>No.</th>
<th>Answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>A</td>
<td>B</td>
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<tr>
<td>2</td>
<td>A</td>
<td>B</td>
</tr>
<tr>
<td>3</td>
<td>A</td>
<td>B</td>
</tr>
<tr>
<td>4</td>
<td>A</td>
<td>B</td>
</tr>
<tr>
<td>5</td>
<td>A</td>
<td>B</td>
</tr>
<tr>
<td>6</td>
<td>A</td>
<td>B</td>
</tr>
<tr>
<td>7</td>
<td>A</td>
<td>B</td>
</tr>
<tr>
<td>8</td>
<td>A</td>
<td>B</td>
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<tr>
<td>9</td>
<td>A</td>
<td>B</td>
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<tr>
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<table>
<thead>
<tr>
<th>Question two</th>
<th>No.</th>
<th>Answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
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<td>B</td>
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<tr>
<td>2</td>
<td>A</td>
<td>B</td>
</tr>
<tr>
<td>3</td>
<td>A</td>
<td>B</td>
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<td>4</td>
<td>A</td>
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<td>9</td>
<td>A</td>
<td>B</td>
</tr>
<tr>
<td>10</td>
<td>A</td>
<td>B</td>
</tr>
</tbody>
</table>
First Question

Determine if the following phrases are true or false;

a- Personal tax takes into consideration the tax payer's payment capability and allow him some exemptions..
b- Unified tax is imposed on total income at different rates.
c- Tax on natural persons is an indirect tax.
d- Salaries tax is retained at source by an intermediary
e- The terms of being subject to tax on commercial and industrial activities include the term of working in Egypt.

Second Question

An employee in a public sector company obtained the following amounts every month during 2007:

Basic salary L.E. 1200
Special increment added to basic salary 250
Special increment not added to basic salary 300
Social increment 50
Representation and reception allowance 250
Transportation allowance 150

- On 1/7, he was granted monthly a periodical increment, L.E. 100.
- On 1/10, he was granted monthly a work nature allowance, L.E. 200.
- At the end of the year, this employee received a bonus, L.E. 2000.
- He paid during the year L.E. 1600 as a life insurance, and he also paid L.E.200 every month as subscription in a special insurance fund.

Instructions
1- Calculate the taxes due every month.
2- Calculate the taxes due on the bonus.
3- Prepare a settlement list at the end of year 2007.

Third Question

(1) During year 2007, the Cairo Construction Company entered into a 3-year contract with a total contract value of L.E. 6000000. By examining the records, the tax accountant found out that the company used the completed contract method to account for this contract. The appropriated method in the case of long term contract is the percentage of completion method.

The company records show the following cost data regarding this contract during 2007, 2008 and 2009:
2007: Actual costs for the year were L.E. 1200000. Estimated costs to complete the contract in the future were L.E. 2800000.
2008: Actual costs for the year were L.E. 1530000. Estimated costs to complete the contract in the future were L.E. 1470000.
2009: Actual costs for the year were L.E. 2000000.

Instructions
Determine the taxable net income from this contract in 2007, 2008 and 2009.

(2) A sole proprietorship prepares its final accounts at 31/12. The following transactions took place during 2009:
   a- On 1/1, the beginning balance of machines & equipments was L.E. 64000.
   b- On 1/4, purchased new machines & equipments for L.E. 50000.
   c- On 17, purchased used machines & equipments for L.E. 30000.
   d- On 1/9, sold machines & equipments for L.E. 16000.

Instructions
Compute the taxable depreciation expense of machines & equipments for 2009.

(3) The accounting net profit of sole proprietorship for year ended 31/12/2008 was L.E. 150000. The tax examination revealed the following:
   a- The revenues included L.E. 10000 recovered bad debts of which L.E. 6000 was previously approved by tax department.
   b- The revenues not included L.E 5000 capital gains realized from sale of patents.
   c- The revenues included L.E 5000, subsidies received from the city council which include L.E 3000 in cash and the remaining in a form of computers (market value is L.E 6000)
   d- The expenses included L.E. 30000, cost of advertising campaign that will last for 3 years starting from 1/1/2008.
   e- The expenses included L.E. 10000 depreciation expense of furniture which was computed at 10% rate, while the rate approved by tax department was 25%.

Instructions
Compute the taxable net profit for 2008.

Best Wishes
"Good Organization, longhand and Avoidance Of Scribble are appreciated"

Answer the following questions:

Question No. (1): (40 degree) (1 Hour)

Write a short paragraph for each of the following:

A - The meaning of risk and its basic categories.
B - Peril and Hazards.
C - Methods of handling risk.

Question No. (2): (30 degree): (1 Hour)

Write a short paragraph for each of the following:

A - The meaning of insurance and its basic characteristics.
B - Fundamental legal principles on which insurance contracts are based.
C - Assume that an actuary estimates the following probabilities of various losses \( x_i \) (in thousand L.E) for a certain risk:

<table>
<thead>
<tr>
<th>( x_i )</th>
<th>0.5</th>
<th>1</th>
<th>2</th>
<th>5</th>
<th>10</th>
</tr>
</thead>
<tbody>
<tr>
<td>( P(x_i) )</td>
<td>0.1</td>
<td>0.25</td>
<td>0.4</td>
<td>0.13</td>
<td>0.12</td>
</tr>
</tbody>
</table>

Find:

A - The expected value and the standard error for the loss.

B - The probability that the loss will be at least 8.638 L.E (Assuming that \( x_i \) have a normal distribution).

C - Determine the value of loss which will be occurred at most in 90% for the exposure units.
Note that:

<table>
<thead>
<tr>
<th>Z</th>
<th>1.28</th>
<th>1.96</th>
<th>2.58</th>
</tr>
</thead>
<tbody>
<tr>
<td>Φ(z)</td>
<td>0.90</td>
<td>0.95</td>
<td>0.9951</td>
</tr>
</tbody>
</table>

Question No. (3): (30 degree): (1 Hour)

a) Write a short paragraph on: "The Life insurance and its classifications.

b) If you have the following data about the mortality probabilities at the different ages (x_i):

<table>
<thead>
<tr>
<th>Q_{20}</th>
<th>Q_{21}</th>
<th>Q_{22}</th>
<th>Q_{23}</th>
<th>Q_{24}</th>
<th>Q_{25}</th>
<th>Q_{26}</th>
<th>Q_{27}</th>
<th>Q_{28}</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.00208</td>
<td>0.00307</td>
<td>0.00342</td>
<td>0.00345</td>
<td>0.00347</td>
<td>0.00365</td>
<td>0.00391</td>
<td>0.00432</td>
<td>0.00475</td>
</tr>
</tbody>
</table>

Suppose that: \( L_{20} = 100000 \).

**Required:**

a- Construct the life table.
b- Prove that the survival probability \( p_x \) is a complement for the probability of death \( Q_x \)

Good Luck.....
South Valley University
Faculty of Commerce – English Section
2011 – 2012 - 3rd Year
Public Finance, Final Exam

Answer the following questions:

The first question:
(a) What is the effect of an increase in government spending where no change in taxes takes place and the deficit is financed by borrowing?

(b) How taxes can be used to achieve the economic goals of stability, employment and economic growth?

The second question:
(a) What are externalities? Use supply and demand analysis to show how a negative or positive externality prevents a perfectly competitive market from achieving efficiency?

(b) Determine the conditions for efficient output of a pure public good.

The third question:
(a) How can cost-effectiveness analysis help keep government spending low?

(b) What is the difference between a specific and an ad valorem tax?

The fourth question:
(a) Describe the behavior of the marginal tax rate under a proportional, progressive, and regressive tax system.

(b) What is meant by the incidence of a tax? Suppose a tax is placed on land. Describe its incidence.

Good Luck
### South Valley University – Faculty of Commerce Business
Administration Department
English Section/ Third year students
Purchasing and Inventory Management Exam
Jan. 2012 – time allowed 3 hours

**Answer All Questions**

#### Question One: choose the right answer from a, b, c, d and e (20 marks)

<table>
<thead>
<tr>
<th>Question</th>
<th>Options</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. If the Chief Purchasing Officer at corporate headquarters has authority for the majority of the company's purchases then the firm maintains a ........ structure.</td>
<td>a. decentralized  b. Cooperative  c. centralized  d. matrix  e. informal.</td>
</tr>
<tr>
<td>2. All of the following are drivers that influence whether a firm will be centralized or decentralized EXCEPT:</td>
<td>a. Firm's overall business strategy  b. Similarity of purchases  c. Responsiveness  d. Cost control  e. none of the above</td>
</tr>
<tr>
<td>3. Which of the following is not a factor in choosing a supplier.</td>
<td>a. Quality  b. Profitability  c. Flexibility  d. Price competition  e. Lead time</td>
</tr>
<tr>
<td>5. All of the following are advantages of a decentralized purchasing structure EXCEPT:</td>
<td>a. Enables tighter control of purchasing policies and procedures  b. Speed and responsiveness  c. Empower the business unit  d. Understanding unique operational requirements  e. none of the above</td>
</tr>
<tr>
<td>6. Which of the following is not an effective purchasing managers' need?</td>
<td>a. knowledge of the product and services to be purchased  b. Knowledge of the supply chain  c. Must be good negotiators  d. Sourcing reliable suppliers.  e. none of the above</td>
</tr>
<tr>
<td>7. Which of the following is not an operational function of supply chain?</td>
<td>a. Daily production and distribution planning, including all nodes in the supply chain.  b. Outbound operation, including fulfillment activities and transportation to customers.  c. Information technology infrastructure, to support supply chain operations.  d. Performance tracking of all activities.  e. All of the above are operational functions.</td>
</tr>
<tr>
<td>8. Which of the following would not generally be a motive for a firm to hold inventories? To..</td>
<td>a. take advantage of quantity discounts  b. minimize holding costs  c. reduce stock out risks  d. decouple production from distribution  e. meet anticipated demand</td>
</tr>
<tr>
<td>9. Which of the following statements about ABC analysis is false?</td>
<td>a. ABC analysis is based on the presumption that controlling the few most important items produces the vast majority of inventory savings.  b. In ABC analysis, &quot;A&quot; Items are tightly controlled, have accurate records, and receive regular review by major decision makers  c. ABC analysis is based on the presumption that all items must be tightly controlled to produce important cost savings.  d. In ABC analysis, &quot;C&quot; Items have minimal records, periodic review, and simple controls  e. None of the above statements are true.</td>
</tr>
<tr>
<td>10. ABC analysis divides on-hand inventory into three classes, generally based upon</td>
<td>a. unit price  b. the number of units on hand  c. annual demand  d. annual dollar volume  e. item quality</td>
</tr>
</tbody>
</table>
**Question Two: choose the right answer from a, b, c, d and e (20 marks)**

1. The two most basic inventory questions answered by inventory control systems are
   a. timing and cost of orders  
   b. quantity and cost of orders  
   c. timing and quantity of orders  
   d. order quantity and service level  
   e. ordering cost and carrying cost

2. Which of the following statements about the basic EOQ model is true?
   a. If the ordering cost were to double, the EOQ would rise.
   b. If annual demand were to increase, the EOQ would decrease.
   c. If the carrying cost were to increase, the EOQ would fall.
   d. If annual demand were to double, the number of orders per year would decrease.
   e. All of the above statements are true.

3. An inventory decision rule states, "when the inventory level goes down to 14 gearboxes, 100 gearboxes will be ordered." Which of the following statements is true?
   a. 100 is the reorder point, and 14 is the order quantity.
   b. The number 100 is a function of demand during lead time.
   c. 14 is the safety stock, and 100 is the reorder point.
   d. 14 is the reorder point, and 100 is the order quantity.
   e. None of the above.

4. Which of the following is not a valid use of inventory?
   a. To smooth out irregular (cyclical) supply and demand.
   b. As a decoupling function.
   c. To achieve quantity discounts.
   d. As an inflation hedge.
   e. All of the above are valid uses of inventory.

5. The inventory decision may be summarized by two questions:
   a. To make or buy and how much.
   b. How much and when to order.
   c. How much to pay and when to order.
   d. To make or buy and when to take quantity discounts.
   e. None of the above.

6. The following is not a basic component of an inventory control system:
   a. Planning what inventory to stock and how to acquire it.
   b. Forecasting the demand for parts and products.
   c. Controlling inventory levels.
   d. Developing and implementing feedback measurements for revising plans and forecasts.
   e. All of the above are basic components of an inventory control system.

7. The economic order quantity (EOQ)
   a. is the same as the optimum order quantity.
   b. is designed to minimize the total carrying and ordering costs per time period.
   c. is the order quantity where the absolute value of the slopes of the ordering and the carrying cost curves are equal.
   d. all of the above.
   e. none of the above.

8. The average inventory level in the basic EOQ model used in this term is...........
   a. one-half of the order quantity.
   b. the quantity on hand one-half of the way between order receipts.
   c. one-half way between the maximum inventory level and the minimum inventory level.
   d. all of the above.
   e. none of the above.

9. __________ is additional stock that is kept on hand in case demand is greater than expected.
   a. Safety stock  
   b. Reorder point  
   c. EOQ  
   d. all of the above  
   e. none of the above

10. Maximum-minimum system is used when......
    a. the items are in steady quantities.
    b. there is an established minimum level, maximum level, and fixed-order point.
    c. the items are comparatively standard in character.
    d. (a and c)
    e. all of the above.
**Question Three (40 marks)**

Suppose the annual demand for an inventoried item is 1,200 units. The price of each unit is $30 and the holding cost for it is $3 per unit per year. The ordering cost is $50 per order. The lead-time is 20 days and the company keeps inventory to cover 50% of the lead-time demand. The working days are 360 days a year.

1. Calculate the economical order quantity, EOQ, for this problem.

   **With the EOQ calculate:**
   
   2. The number of orders will be placed in a year.
   3. The annual ordering cost, annual holding cost and total annual inventory cost.
   4. Calculate the cycle period.
   5. Calculate the safety stock.
   6. Calculate then draw a graph illustrating the inventory, maximum, reorder and minimum levels, EOQ, cycle period and lead-time.
   7. Suppose the order quantity is $Q = 300$ units per order one time and $Q = 100$ units per order another time, then count total ordering costs, total holding cost and total inventory cost in each time.
   8. Calculate then draw a graph illustrating costs associated with EOQ, order quantity = 100 and order quantity = 300 units and point the EOQ.

**Question Four (20 marks)**

1. Describe how procurement can help the organization to achieve cost advantage and differentiation by the value chain.

2. Distinguish between direct and indirect purchases.

---

**End of Questions**  

**With my best wishes**

Dr Amin Tag Eldin Mohamed
**First Question:**

Liverpool Company provides the following data for 2003:

1. Sales for the year were 40000 units with selling price $15 per unit.
2. Inventories were as follows:

<table>
<thead>
<tr>
<th></th>
<th>1/1/2003</th>
<th>31/12/2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Materials inventory</td>
<td>$35000</td>
<td>$50000</td>
</tr>
<tr>
<td>Work-in-process inventory</td>
<td>40000</td>
<td>50000</td>
</tr>
<tr>
<td>Finished goods inventory</td>
<td>80000</td>
<td>60000</td>
</tr>
</tbody>
</table>

3. Purchases of materials during the year were $215000.

4. Costs for the period were as follows:

   - Materials put into production (95% direct materials) ??
   - Total labour costs (80% direct labour) 150000
   - Factory overhead (75% of direct labour) ??

5. Selling expenses during the year were $30000, and general and administrative expenses were $40000.

**Required:**

a. Prepare the following statements:
   1. Cost of goods manufactured
   2. Cost of goods sold

b. Compute the net income or loss.

c. Compute the following:
   1. Product costs
   2. Conversion costs
   3. Prime costs
   4. Period costs

**Second Question:**

Gold Sun Corporation uses a perpetual inventory system. The data concerning the materials inventory for the month of June were as follows:

- **5 June** Purchases for cash 1500 units of direct materials costing $5 per unit.
- **9 June** Purchases on account 2000 units of direct materials costing $6 per unit.
- **15 June** Placed into production (issued) 2500 units of direct materials.
- **21 June** Purchases on account 4000 units of direct materials costing $7 per unit.
- **25 June** Placed into production 2000 units of direct materials.
- **21 June** Purchases on account 2500 units of direct materials costing $8 per unit.
- **25 June** Placed into production 3500 units of direct materials.

**Required:**

Determine the cost of materials issued (used) and the cost of the ending inventory, using the LIFO method, assuming that the market price (replacement cost) at 31 of June was $6 per unit.
Third Question:

a- Liverpool Company accumulated the following payroll data for the week ending 11 of June:

<table>
<thead>
<tr>
<th>Employee</th>
<th>Hours Worked</th>
<th>Rate per Hour</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Mark</td>
<td>50</td>
<td>$10</td>
</tr>
<tr>
<td>B. John</td>
<td>55</td>
<td>8</td>
</tr>
<tr>
<td>C. Robert</td>
<td>60</td>
<td>6</td>
</tr>
</tbody>
</table>

Additional information:
1. The union contract requires that employees receive time and a half for any hours worked above 40 hours per week.
2. A. Mark worked 30 hours on job 11 and 20 hours on job 12. Mark’s overtime resulted from the random scheduling of too many jobs.
3. B. John worked the entire week on job 13, which was a rush order and the customer has agreed to pay for special service.
4. C. Robert had to work overtime because he had to correct his own poor workmanship on job 14.

Required:
Prepare the journal entry to record the payroll.

Fourth Question

The Colchester Company has two service departments (A and B) and two production departments (11 and 22). The budgeted costs for the period for the service and producing departments were as follows:

1. Service departments’ estimated factory overhead costs:
   - Department A: $20500
   - Department B: 15000

2. Producing departments’ estimated factory overhead costs:
   - Department 11: 40000
   - Department 22: 50000

<table>
<thead>
<tr>
<th>Department</th>
<th>Square feet (A)</th>
<th>Machine hours (B)</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>2000</td>
<td>4000</td>
</tr>
<tr>
<td>B</td>
<td>3000</td>
<td>2000</td>
</tr>
<tr>
<td>11</td>
<td>4000</td>
<td>6000</td>
</tr>
<tr>
<td>22</td>
<td>3000</td>
<td>10000</td>
</tr>
<tr>
<td></td>
<td>12000</td>
<td>22000</td>
</tr>
</tbody>
</table>

The costs of department A are allocated on the basis of square feet. The costs of department B are allocated on basis of machine hours. The producing departments factory overhead application rates based on direct labor hours. The direct labor hours estimated for the period were: 5000 in department 11 and 4000 in department 22.

Required:

a. Allocate the costs of the service departments to the producing departments using:
   1. Step method (allocate the costs of the department A first)
   2. Algebraic method

b. Compute the factory overhead application rates for the two producing departments in both methods.
First Question

Determine if the following phrases are true or false;

a- Unified tax is imposed on total income at a different rates.
b- In progressive tax, tax rate escalates with increasing in taxable income.
c- Tax on natural persons is an indirect tax.
d- Salaries tax is retained at source by an intermediary.
e- The terms of being subject to tax on commercial and industrial activities include the term of working in Egypt.

Second Question

An employee in a public sector company obtained the following amounts every month during 2009:

Basic salary  L.E. 2000
Special increment added to basic salary  200
Special increment not added to basic salary  150
Social increment  50
Representation and reception allowance  250
Transportation allowance  150
Production incentive  300

Additional information:
1- On 1/4, he was granted monthly a periodical increment L.E. 100.
2- On 1/8, the company provided him with a car, and stopped the payment of the transportation allowance. The monthly cost of this car amounted to L.E. 500. There is no any deduction from his salary for this car.
3- On 1/10, he was granted monthly a work nature allowance of L.E. 200.
4- At the end of the year, this employee received an incentive bonus of L.E. 3000.
5- He paid during the year L.E. 1500 as a life insurance. And he also paid L.E.100 every month as subscription in a special insurance fund.

Instructions

a- Calculate the taxes due every month.
b- Calculate the taxes due on the incentive bonus.
c- Prepare a settlement list at the end of year 2009.

Third Question

(1) A sole proprietorship purchased patents for some products as follows:

a- Patent (1) purchased on 1/4/2008 for amount of L.E. 40000.
b- Patent (2) purchased on 1/9/2008 for amount of L.E. 30000.
Additional information
1- Patent (1) sold on 1/10/2009 for amount of L.E. 37000.
2- Depreciation rate approved by tax department for patents is 10%.

Instructions
a- Compute the taxable depreciation for year 2008 and 2009.
b- Compute the taxable capital gain for patent (1).

(2) On 1/1/2007, a firm purchased a building for amount of L.E. 150000 and decided to depreciate it at annually rate of 2%. But the depreciation rate approved by tax administration was 5%.
On 1/9/2009, the firm sold this building for amount of L.E. 140000.

Instructions
Determine the taxable net income for year 2009, assuming that the accounting net profit for 2009 was 150000, including the capital gain (or loss) from selling of the building.

(3) Accounting net profit of sole proprietorship for year 2008 was L.E. 100000. The tax examination revealed the following:
a- The revenues included L.E. 12000 recovered bad debts of which L.E. 9000 was previously approved by tax department.
b- The revenues not included L.E 23000 compensation received from an insurance company for damaged goods.
c- The expenses included L.E. 10000 depreciation expense of furniture which was computed at 10% rate, while the rate approved by tax department was 25%.
d- The expenses included L.E. 24000, cost of advertising campaign that will last for 4 years starting from 1/5/2008.
e- The revenues included L.E 5000, subsidies received from the city council which include L.E 3000 in cash and the remaining in a form of computers (market value is L.E 6000

Instructions
Compute the taxable net profit for year 2008.

Best Wishes
The First Question: (30 Marks)
Select the correct answer for each of the following question:
1- The process of recording, classifying, and summarizing economic events in a logical manner for the purpose of providing financial information for decision-making is
a- finance.
b- auditing.
c- accounting.
d- economics.

2- Any services in which the CPA firm issues a written communication that expresses a conclusion with respect to the reliability of a written assertion that is the responsibility of another party is a(n)
a- accounting and bookkeeping service.
b- attestation service.
c- management advisory service.
d- tax service.

3- Providing quantitative information that management and others can use to make decisions is the function of
a- management information systems.
b- auditing.
c- finance.
d- accounting.

4- Certified public accounting (CPA) firms provide audit services for all, but which of the following entities?
a- privately-held corporations.
b- corporations listed on the New York Stock Exchange
c- publicly-traded companies.
d- CPA firms provide audit services for all of these entity types.

5- An audit of financial statements is conducted to determine whether the
a- organization is operating efficiently and effectively.
b- auditor is following specific procedures or rules set down by some higher authority.
c- members of the management team are fulfilling their fiduciary responsibilities to shareholders.
d- none of the above.

6- The criteria for evaluating quantitative information vary. For example, in the audit of historical financial statements by CPA firms, the criteria are usually
a- generally accepted accounting principles.
b- generally accepted auditing standards.
c- regulations of the Internal Revenue Service.
d- regulations of the Securities and Exchange Commission.
7- Which one of the following is more difficult to evaluate objectively?
   a- Presentation of financial statements in accordance with generally accepted accounting principles.
   b- Compliance with government regulations.
   c- Efficiency and effectiveness of operations.
   d- All three of the above are equally difficult.

8- Which of the following can be significantly affected by an audit?
   a- Business risk.
   b- Information risk.
   c- The risk-free interest rate.
   d- All of these.

9- To operate effectively, an internal auditor must be independent of
   a- the line functions of the organizations.
   b- the entity.
   c- the employer-employee relationship which exists for other employees in the organization.
   d- all of the above.

10- “Other assurance services” are similar to, yet differ somewhat from, attestation services. When performing “other assurance services,” the CPA
    a- is not required to issue a written report, and the assurance is about the reliability and relevance of information.
    b- is required to issue a written report, and the assurance is about the reliability and relevance of information.
    c- is not required to issue a written report, and the assurance is about the completeness and sufficiency of information.
    d- is required to issue a written report, and the assurance is about the completeness and sufficiency of information.

11- Which one of the following is not a General Standard?
    a- Proper planning and supervision.
    b- Independence of mental attitude.
    c- Adequate training and proficiency.
    d- Due professional care.

12- Which one of the following is not a Field Work Standard?
    a- Proper planning and supervision.
    b- Due professional care.
    c- Study the internal control structure.
    d- Gather sufficient competent evidence.

13- The general standards stress the importance of
    a- evidence accumulation.
    b- the personal qualities which the auditor should possess.
c- communicating the auditor’s findings to the reader.
d- all of the above.

14- Which of the following statements most accurately captures the intent of the standards of field work?
a- Field work standards are primarily concerned with personal attributes necessary during the conduct of the audit.
b- Field work standards provide extensive guidance regarding the conduct of an audit.
c- Field work standards are primarily directed at the auditor’s planning, understanding of internal control, and evidence accumulation.
d- Field work standards are primarily concerned with the conduct of substantive testing as opposed to testing of internal controls.

15- Generally accepted auditing standards are
a- rules imposed by the U.S. Congress.
b- rules imposed by the Securities and Exchange Commission.
c- rules imposed by the American Institute of CPAs.
d- general guidelines to aid auditors.

16- The decision as to how much evidence to accumulate for a given set of circumstances
a- is based on the auditor’s professional judgment.
b- is provided by following the generally accepted accounting principles.
c- is determined by statistical analysis.
d- is provided in the AICPA’s Industry Audit Guides.

17- The auditor’s judgment concerning the overall fairness of presentation of financial position, results of operations, and changes in cash flow is applied within the framework of
a- quality control.
b- generally accepted auditing standards which include the concept of materiality.
c- the auditor’s evaluation of the audited company’s internal control.
d- generally accepted accounting principles.

18- Which of the following is not an essential component of quality control?
a- Policies and procedures to ensure that firm personnel are actively engaged in marketing strategies.
b- Policies and procedures to ensure that the work performed by firm personnel meet applicable professional standards.
c- Policies to ensure that personnel maintain their independence in fact and in appearance.
d- Policies that ensure that monitoring activities are effectively applied.

19- Which one of the following statements is not true?
a- The auditor’s report must state whether the client has provided adequate disclosure on the financial statements and in the accompanying notes.
b- The auditor’s report must disclose if GAAP was not consistently followed from the prior period to the current period.
c- The auditor’s report must state whether the financial statements were prepared with GAAP.
d. The auditor’s report must express an opinion on the financial statements taken as a whole, or explain why there is no opinion provided.

20- Generally Accepted Auditing Standards (GAAS) and Statements on Auditing Standards (SAS) should be looked upon by practitioners as
a- ideals to work towards, but which are not achievable.
b- maximum standards which denote excellent work.
c- minimum standards of performance which must be achieved on each audit engagement.
d- benchmarks to be used on all audits, reviews, and compilations.

21- Auditing standards require that the audit report must be titled and that the title must
a- include the word “independent.”
b- indicate whether the auditor is a CPA.
c- indicate whether the auditor is a proprietorship, partnership, or incorporated.
d- not include any discriminatory language.

22- The purpose of the introductory paragraph in the standard unqualified report is
a- to distinguish the audit report from a compilation or review report.
b- to identify the financial statements which were audited and the dates and time periods covered by the report.
c- to communicate the responsibilities of management in preparing the financial statements and to clarify the respective roles of management and the auditor.
d- all of the above.

23- An adverse opinion is issued when the auditor believes
a- some parts of the financial statements are materially misstated or misleading.
b- the financial statements will be found to be misleading or misstated, if an adequate investigation is performed.
c- the overall financial statements are so materially misstated or misleading as a whole that they do not present fairly the financial position or results of operations and cash flows in conformity with GAAP.
d- the audit firm is not independent.

24- Statements on Auditing Standards require that a report be issued whenever a CPA firm
a- performs an audit.
b- is engaged to perform any services of any nature.
c- does SEC-regulated work.
d- is associated with financial statements.

25- Which of the following is not a true statement?
a- The opinion paragraph is directly related to the first and fourth reporting standards.
b- The auditor is required to state a conclusion about whether the company followed generally accepted accounting principles.
c- The opinion paragraph may follow any form deemed appropriate by the auditor.
d- The auditor is required to state an opinion about the financial statements taken as a whole.
26- Most auditors believe that financial statements are “presented fairly” when the statements are in accordance with generally accepted accounting principles, and that it is also necessary to
a- determine that they are not in violation of FASB statements.
b- examine the substance of transactions and balances for possible misinformation.
c- review the statements using the accounting principles promulgated by the Securities and Exchange Commission.
d- assure investors that the net income reported this year will be equaled or exceeded in the future.

27- In which of the following situations would the auditor most likely issue an unqualified report?

a- The client valued ending inventory by using the replacement cost method.
b- The client valued ending inventory by using the Next-In-First-Out (NIFO) method.
c- The client valued ending inventory at selling price rather than historical cost.
d- The client valued ending inventory by using the First-In-First-Out (FIFO) method but showed the replacement cost of inventory in the Notes to the Financial Statements.

28- Which of the following statements is true?

a- The auditor is required to issue a disclaimer of opinion in the event of a material uncertainty.
b- The auditor is required to issue a disclaimer of opinion in the event of a going concern problem.
c- The auditor is required to issue a disclaimer of opinion for a material uncertainty and for a going concern problem.
d- The auditor has the option, but is not required, to issue a disclaimer of opinion for a material uncertainty or for a going concern problem.

29- A qualified report cannot take the form of a qualification of

a- the opinion alone.
b- the scope alone.
c- both the scope and opinion.
d- all of the above.

30- Which of the following is not a cause of an explanatory paragraph or modified wording to be added to the standard unqualified report?

a- Emphasis of a matter.
b- Reports involving other auditors.
c- Auditor disagrees with client’s departure from GAAP.
d- Lack of consistent application of GAAP.

The Second Question (25 Marks):
Indicate whether each of the following is true (T) or false.

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1-</td>
<td>The criteria used by an external auditor to evaluate published financial statements are known as generally accepted auditing standards.</td>
</tr>
<tr>
<td>2-</td>
<td>The primary purpose of a compliance audit is to evaluate the efficiency and effectiveness of an organization’s operating procedures and methods</td>
</tr>
<tr>
<td>3-</td>
<td>Information risks generally decrease as entities become smaller</td>
</tr>
<tr>
<td>4-</td>
<td>The financial statements most commonly audited by external auditors are the statement of financial position, income statement, and statement of cash flows.</td>
</tr>
<tr>
<td>5-</td>
<td>The primary purpose of an operational audit is to determine whether the overall financial statements are in compliance with generally accepted accounting principles.</td>
</tr>
<tr>
<td>6-</td>
<td>Membership in the AICPA is restricted to CPAs who are currently practicing as independent auditors.</td>
</tr>
<tr>
<td>7-</td>
<td>Statements on Auditing Standards (SASs) are issued by the Auditing Standards Board of the AICPA.</td>
</tr>
<tr>
<td>8-</td>
<td>One of the three &quot;standards of fieldwork&quot; states that due professional care is to be exercised in the performance of the audit and the preparation of the report.</td>
</tr>
<tr>
<td>9-</td>
<td>The Securities and Exchange Commission establishes quality control standards that must be adhered to by CPA firms.</td>
</tr>
<tr>
<td>10-</td>
<td>Limited liability companies (LLCs) are structured and taxed like a general partnership, but their owners have limited personal liability similar to that of a general corporation.</td>
</tr>
<tr>
<td>11-</td>
<td>All CPA firms are required to undergo a peer review at least once every two years.</td>
</tr>
<tr>
<td>12-</td>
<td>The standards of reporting require that the report state whether the financial statements are presented in accordance with generally accepted auditing standards.</td>
</tr>
<tr>
<td>13-</td>
<td>The overall purpose of the Securities and Exchange Commission is to assist in providing investors with reliable information upon which to make investment decisions.</td>
</tr>
<tr>
<td>14-</td>
<td>Professional standards require that a report be issued whenever a CPA firm is associated with financial statements.</td>
</tr>
<tr>
<td>15-</td>
<td>Auditing standards require that an audit report include the word &quot;independent&quot; in the report's title.</td>
</tr>
<tr>
<td>16-</td>
<td>The audit report is normally addressed to the company's president or chief executive officer.</td>
</tr>
<tr>
<td>17-</td>
<td>The phrase &quot;generally accepted accounting principles&quot; can be found in the opinion paragraph of a standard unqualified report.</td>
</tr>
<tr>
<td>18-</td>
<td>The most frequently issued type of audit report is the standard unqualified audit report.</td>
</tr>
<tr>
<td>19-</td>
<td>The phrase &quot;generally accepted auditing standards&quot; can be found in the opinion paragraph of a standard, unqualified audit report.</td>
</tr>
<tr>
<td>20-</td>
<td>Auditors should issue a disclaimer of opinion when there is a highly material scope restriction caused by the client.</td>
</tr>
<tr>
<td>21-</td>
<td>Whenever an auditor issues a qualified report, he or she must use the term &quot;except for&quot; in the opinion paragraph.</td>
</tr>
<tr>
<td>22-</td>
<td>When there is a scope limitation in an audit, the audit report will be unqualified, qualified scope and opinion, or adverse, depending on the materiality of the scope limitation.</td>
</tr>
<tr>
<td>23-</td>
<td>When a qualified opinion is issued, an explanatory paragraph is added immediately after the opinion paragraph to explain the nature of the qualification that affects the opinion.</td>
</tr>
</tbody>
</table>
24- When an auditor relies upon a different CPA firm to perform part of the audit and chooses to issue a shared opinion, the wording of the report should be modified in all three paragraphs.

25- The phrase "The audit is designed to obtain reasonable assurance about whether the statements are free of material misstatements" is included in the introductory paragraph of an audit report.

The Third Question (29 Marks):
1- Discuss the three primary requirements for becoming a CPA. (4 marks)

2- Describe the various staff levels and responsibilities of a typical public accounting firm. (4 marks)
3- Describe the six organizational structures available to CPA firms. (6 marks)

4- There are five conditions that must be met before an auditor can issue a standard unqualified report. Please discuss each of these five conditions. (5 marks)
5- There are three conditions requiring a departure from an unqualified audit report. Discuss each of these three conditions and state the appropriate audit report for each condition. (3 marks)

6- Describe the standard unqualified report. Begin by specifying the seven parts of the report, and then discuss the contents of each part. (7 marks)
The Fourth Question (Marks):
Assume you are the partner in charge of the audit of Franklin Corporation’s 2002 financial statements. The audit report has not yet been prepared. In each independent situation following (1-8), indicate the appropriate action (a-g) to be taken. The possible actions are as follows:

a- Issue a standard unqualified report.
b- Qualify both the scope and opinion paragraphs.
c- Qualify the opinion paragraph.
d- Issue an unqualified opinion with an explanatory paragraph.
e- Issue an unqualified opinion with modified wording (no explanatory paragraph).
f- Issue an adverse opinion.
g- Disclaim an opinion.

The situations are as follows:

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1-</td>
<td>Franklin Corporation carries its property, plant, and equipment accounts at current market values. Current market values exceed historical cost by a highly material amount, and the effects are pervasive throughout the financial statements</td>
</tr>
<tr>
<td>2-</td>
<td>Management of Franklin Corporation refuses to allow you to observe, or make, any counts of inventory. The recorded book value of inventory is highly material.</td>
</tr>
<tr>
<td>3-</td>
<td>You were unable to confirm accounts receivable with Franklin’s customers. However, because of detailed sales and cash receipts records, you were able to perform reliable alternative audit procedures.</td>
</tr>
<tr>
<td>4-</td>
<td>One week before the end of fieldwork, you discover that the audit manager on the Franklin engagement owns a material amount of Franklin’s common stock</td>
</tr>
<tr>
<td>5-</td>
<td>You relied upon another CPA firm to perform part of the audit of Franklin. Although you were the principal auditor, the other firm audited a material portion of the financial statements. You wish to refer to (but not name) the other firm in your report.</td>
</tr>
<tr>
<td>6-</td>
<td>You have substantial doubt about Franklin’s ability to continue as a going concern</td>
</tr>
<tr>
<td>7-</td>
<td>Franklin Corporation changed its method of computing depreciation in 2002. You concur with the change and the change is properly disclosed in the financial statement footnotes.</td>
</tr>
<tr>
<td>8-</td>
<td>Ten days after the balance sheet date, one of Franklin’s buildings was destroyed by a fire. Franklin refuses to disclose this information in a footnote to the financial statements, but you believe disclosure is required to conform with generally accepted accounting principles. The amount of the uninsured loss was material, but not highly material.</td>
</tr>
</tbody>
</table>

With My Best Wishes
Answer all questions (Exam in one page)

**Question One:** (30 marks): Indicate whether each of the following statement is true (√) or false (×). Briefly justify your answer.
1. The ABC system classifies inventory so that A items does not need very close control.
2. There are some differences between JIT systems and Traditional systems in inventory management.
3. In negotiation you can reveal no position when the other party's proposal is long and complicated, when the other party is eager to reach agreement and when you lack information.
4. It is preferred to centralize procurement if purchases are strategic.
5. One of the advantages of centralized purchasing is responding more quickly to extraordinary situations.
6. In contemporary purchasing process, ERO systems monitor inventory and trends and automate requisitions based on forecast needs.

**Question Two:** (40 marks): Write short notes in each of the following in no more than one page.
1. The maximum and minimum system in controlling inventory
2. Issues to be considered when reducing inventory with supplier partnership strategies such as (VMI)
3. Three things that purchasing and supply chain managers should avoid.
4. Strategic supply chain activities

**Question Three:** (30 marks)

**Com.CD Company** runs a business for CD players. The annual demand for part number A12 of the product is 250,000 units for the upcoming year. The unit cost is $25 and the cost of placing an order is $18. It takes a total of 5 days lead time for each order. The holding cost per unit $4 annually. The company keeps a safety stock to cover 3 days delay in supply. Assume that there are 250 working days per year.

**Required:**
1. Define and compute the EOQ for the product.
2. Compute all costs associated with the EOQ.
3. Count the safety stock for the product.
4. Count the reorder level of inventory.
5. Draw graphs to illustrate all your results.

End of Questions

*With my best wishes* Dr. Ala'a Fay Eldin Mohamed

**Answer of Question Three**
**First Question**

Determine if the following phrases are true or false:

a- The new tax law aims at developing the tax administration itself.
b- Proportional tax is imposed at variable rates.
c- Unified tax is imposed on total income at different rates
d- Tax on natural persons is a progressive tax.
e- Tax on natural persons is an indirect tax.
f- Salaries tax is retained at source by an intermediary.
g- The terms of being subject to tax on commercial and industrial activities include the term of working in Egypt.
h- The terms of being subject to tax on commercial and industrial activities include the term of carrying on business dependently.

**Second Question**

(1) A public sector company concluded an agreement with a foreign expert to work in Egypt from first of August 2007 until 18 of July 2008. The following conditions are included in the contract:
   a. He will receive $300 per day in Egypt.
   b. The company will transfer $400 per day to his account abroad.

**Instructions**

Calculate the tax due (the exchange rate is $1 = L.E. 6).

(2) A private sector company concluded an agreement with a foreign expert to work in Egypt from first of June 2008 until 4 of June 2009. The following conditions are included in the contract:
   a. He will receive L.E. 240,000 in Egypt.
   b. The company will meet the costs of his residence in one of the Egyptian hotels for amount of L.E. 200 per day.

**Instructions**

Calculate the tax due.

**Third Question**

(1) On 1/1/2003, a firm purchased a patent for amount of L.E. 80000 and decided to depreciate it at annually rate of 15%. But the depreciation rate approved by tax administration was 10%.
   On 1/10/2004, the firm sold this patent for amount of L.E. 63000.

**Instructions**

Determine the taxable net income for year 2004, assuming that the accounting net profit for 2004 was 50000, including the capital gain from selling of patent
(2) A sole proprietorship prepares its final accounts at 31/12.
The following transactions took place during 2009:
  a- On 1/1, the beginning balance of machines & equipments was L.E. 64000.
  b- On 1/4, purchased new machines & equipments for L.E. 50000.
  c- On 17, purchased used machines & equipments for L.E. 30000.
  d- On 1/9, sold machines & equipments for L.E. 16000.

Instructions
Compute the taxable depreciation expense of machines & equipments for 2009.

(3) A sole proprietorship has the following losses and profits:

Year (1): net loss L.E. 90000, Year (2): net loss L.E. 80000,
Year (3): net profit L.E. 20000, Year (4): net profit L.E. 30000,
Year (5): net profit L.E. 25000, Year (6): net profit L.E. 45000,
Year (7): net profit L.E. 40000, Year (8): net profit L.E. 50000,

Instructions
Calculate the taxable net profit every year.

Fourth Question
(1) A tax payer plants the following agricultural land:

<table>
<thead>
<tr>
<th>Vegetables &amp; ordinary crops</th>
<th>10 acres, Rented,</th>
<th>Land tax: L.E. 140 per acre</th>
</tr>
</thead>
<tbody>
<tr>
<td>Productive fruits:</td>
<td>9 acres, Owned,</td>
<td>Land tax: L.E. 280 per acre</td>
</tr>
<tr>
<td>Medicinal and aromatic plants</td>
<td>6 acres, Rented,</td>
<td>Land tax: L.E. 280 per acre</td>
</tr>
<tr>
<td>Nurseries of horticultural crops</td>
<td>5 acres, Owned,</td>
<td>Land tax: L.E. 420 per acre</td>
</tr>
</tbody>
</table>

Instructions
Compute the net taxable revenues of the agricultural land, assuming that the tax payer uses one acre of the nurseries for personal benefit.

(2) A person owns a building including ten floors (half floor is used by him and his family). Building tax per floor is L.E.60 (tax rate is 20%). He leases 2 floors according to the new rent law at monthly rent of L.E. 2500 for 8 months.

Instructions
Compute the taxable net revenues of the building.

(3) A taxpayer sold a flat for L.E. 400000, which was bought for amount of L.E. 320000.

Instructions
Calculate the tax due assuming that:
1- The taxpayer dose not take this activity as his main profession.
2- The taxpayer takes this activity as his main profession.

Best Wishes

[Signature]

[Signature]
Answer The Following Questions:

The First Question:

(A) How can cost-effectiveness analysis help keep government budget spending down?

(B) Suppose a 100% sales tax is placed on a good. Explain with the use of graphs what will determine the incidence of that sales tax.

The Second Question:

(A) From an economic point of view, what is the danger of a balanced government budget?

(B) How a corrective subsidy for inoculations can result in the efficient output of this good?

The Third Question:

(A) Describe the behavior of the marginal tax rate under a proportional, progressive and regressive tax system.

(B) Use a numerical example to illustrate the efficient output of a pure public good.

Good Luck
Prof. Dr. Nashaat Fahmy
First Question:

Essex Company provides the following data for 2009:
1. Sales for the year were 50000 units with selling price $10 per unit.
2. **Inventories were as follows:**

<table>
<thead>
<tr>
<th></th>
<th>1/1/2009</th>
<th>31/12/2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Materials inventory</td>
<td>$ 25000</td>
<td>$ 30000</td>
</tr>
<tr>
<td>Work-in-process inventory</td>
<td>70000</td>
<td>90000</td>
</tr>
<tr>
<td>Finished goods inventory</td>
<td>60000</td>
<td>70000</td>
</tr>
</tbody>
</table>
3. Purchases of materials during the year were $130000.
4. **Costs for the period were as follows:**

<table>
<thead>
<tr>
<th>Material</th>
<th>$ ??</th>
</tr>
</thead>
<tbody>
<tr>
<td>Materials used (80% direct materials)</td>
<td>$ ??</td>
</tr>
<tr>
<td>Total labour costs (20% indirect labour)</td>
<td>??</td>
</tr>
<tr>
<td>Total Factory overhead (150% of total labour costs)</td>
<td>150000</td>
</tr>
</tbody>
</table>
5. Selling expenses were $20000, general and administrative expenses were $30000.

Required:

a. Prepare the following statements:

1. Cost of goods manufactured
2. Cost of goods sold
3. Income statement

b. Compute the following:

1. Prime costs
2. Conversion costs
3. Product costs
4. Period costs

Second Question:

Liverpool Corporation uses a perpetual inventory system and provided the following data concerning the raw materials inventory for the month of July:

1 July Beginning balance 2500 units at $7 per unit.
3 July Purchased for cash 1500 units costing $8 per unit.
5 July Placed into production 3000 units.
12 July Purchased on account 3500 units costing $9 per unit.
21 July Placed into production 1500 units.
26 July Purchased for cash 2500 units at $10 per unit.
31 July Placed into production 2000 units.

Required:

Determine the cost of materials issued (used) and the cost of the ending inventory, using the FIFO method, assuming that the market price (replacement cost) at 31 of July was $8 per unit (taking into consideration the LCM rule and close any amount over $3000 in loss account).
**Third Question:**

The Sliver Moon Company has the following vacation policy for its workers:
- 2 to 4 years of service: 1 week paid vacation
- 5 to 10 years of service: 2 weeks paid vacation
- Over 10 years of service: 3 weeks paid vacation

The payroll records show the following (all employees work directly on production):

<table>
<thead>
<tr>
<th>Employee</th>
<th>Years of Employment</th>
<th>Weekly Salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Mark</td>
<td>6</td>
<td>$300</td>
</tr>
<tr>
<td>B. John</td>
<td>3</td>
<td>200</td>
</tr>
<tr>
<td>C. Robert</td>
<td>9</td>
<td>450</td>
</tr>
<tr>
<td>D. Cone</td>
<td>12</td>
<td>400</td>
</tr>
<tr>
<td>E. Rose</td>
<td>1</td>
<td>100</td>
</tr>
</tbody>
</table>

**Required:**
1. Compute the amount should be accrued each week for each employee.
2. Prepare the journal entry to record the payroll.

**Fourth Question**

The Gold Sun Company has two service departments (A & B) and two production departments (M & N). The budgeted overhead costs for the period for the service and producing departments were as follows:

- **1. Service departments’ costs:**
  - Department A: $11500
  - Department B: $11000

- **2. Producing departments’ costs:**
  - Department M: $20250
  - Department N: $15250

**Additional information:**
1. Department A services Departments B, M and N in a ratio of 2: 3:5, respectively.
2. Department B services Departments A, M and N in a ratio of 2:3:3, respectively.
3. The producing departments’ factory overhead application rates based on direct labour hours. The direct labour hours estimated for the period were 5000 in department M and 4000 in department N.

**Required:**

a. Allocate the total costs of the service departments to the producing departments using the Algebraic method.
b. Compute the factory overhead application rates for the two producing departments.
c. Assuming that the actual labour hours in department M during period were 4500 hours and the actual factory overhead costs during period were $28000. The Over- or Underapplied Factory Overhead account is closed to the cost of goods sold.

**Best Wishes**

[Signature]
Answer the following questions:

Question (1 - A)

1. Recording, classifying, and summarizing economic events in a logical manner for the purpose of providing financial information for decision making is commonly called:
   a. finance.  b. auditing.  c. accounting.  d. economics.

2. When determining whether an exception is "highly material," the extent to which the exception affects different elements of the financial statements must be considered. This concept is called:
   a. materiality.  b. pervasiveness.  c. financial analysis.  d. ratio analysis.

3. If several employees collude to falsify documents, the chance a normal audit would uncover such acts is:
   a. very low.  b. very high.  c. zero.  d. none of the above.

4. Hansen Corporation’s stock is listed on a national stock exchange and registered with the Securities and Exchange Commission. Hansen’s management hires a CPA to perform an independent audit of Hansen’s financial statements. The primary objective of this audit is to provide assurance to the:

5. If the balance sheet of a company is dated December 31, 2009, the audit report is dated February 8, 2010, and both are released on February 15, 2010, this indicates that the auditor has searched for subsequent events that occurred up to:

6. In the audit of historical financial statements, which of the following accounting bases is the most common?

7. Which one of the following is more difficult to evaluate objectively?
   a. Presentation of financial statements in accordance with GAAP.  b. Compliance with government regulations.  c. Efficiency and effectiveness of operations.  d. All three of the above are equally difficult.

8. Members of the Public Company Accounting Oversight Board are appointed and overseen by:
   a. the U.S. Congress.  b. the American Institute of Certified Public Accountants.  c. the Auditing Standards Board.  d. the Securities and Exchange Commission.

9. Financial statement users often receive unreliable financial information from companies. Which of the following is not a common reason for this?
   a. Complex business transactions.  b. Large amounts of data.  c. Lack of firsthand knowledge about the business.  d. Each of these choices is a common reason for unreliable financial information.

10. Which of the following is not a Trust Services principle as defined by the AICPA or CICA?

11. Whenever there is a scope restriction, the appropriate response is to issue a(n):
    a. disclaimer of opinion.  b. adverse opinion.  c. qualified opinion.  d. unqualified report, a qualification of scope and opinion, or a disclaimer, depending on materiality.

12. Williams & Co., a member of the Private Companies Practice Section, is to have a "peer review." The peer review can be performed by:
    a. a CPA firm selected by W&W & Co.  b. a review team selected by the state society.  c. internal auditors.  d. either a or b.

13. In certifying their annual financial statements, the CEO and CFO of a public company certify that the financial statements comply with the requirements of:
14.- If a misstatement is immaterial to the financial statements of the entity for the current period, but is expected to have a material effect in future periods, it is appropriate to issue a(n):
   a. adverse opinion   b. qualified opinion   c. unqualified opinion   d. disclaimer of opinion

15.- Statements on Auditing Standards provide auditors of privately held companies with ______ guidance regarding the conduct of financial statement audits.
   a. fairly extensive   b. some limited   c. practically no   d. specific and detailed

16.- The objective of the ordinary audit of financial statements is the expression of an opinion on:
   a. the fairness of the financial statements.   b. the accuracy of the financial statements.
   c. the accuracy of the annual report.   d. the balance sheet and income statement.

17.- The most important general ledger account included in and affecting several cycles is the:
   a. cash account.   b. inventory account.
   c. income tax expense and liability accounts.   d. retained earnings account.

18.- Relevance can be considered only in terms of:
   a. general audit objectives.   b. specific audit objectives.
   c. transaction audit objectives.   d. balance audit objectives.

19.- Given the economic constraints in which auditors collect evidence, the auditor normally gathers evidence that is:

20.- An auditor would be least likely to use confirmations in connection with the examination of:
   a. inventories.   b. long-term debt.   c. Fixed assets   d. stockholders' equity.

**Question (1 - B)** Below are five audit procedures, all of which are tests of transactions associated with the audit of the sales and collection cycle. Also below are the six general transaction-related audit objectives and the five management assertions. For each audit procedure, indicate (1) its audit objective, and (2) the management assertion being tested.

<table>
<thead>
<tr>
<th>Audit Objectives</th>
<th>Assertions</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Occurrence</td>
<td>V. Occurrence</td>
</tr>
<tr>
<td>B. Completeness</td>
<td>W. Completeness</td>
</tr>
<tr>
<td>C. Accuracy</td>
<td>X. Accuracy</td>
</tr>
<tr>
<td>D. Posting and summarization</td>
<td>Y. Classification</td>
</tr>
<tr>
<td>E. Classification</td>
<td>Z. Cutoff</td>
</tr>
<tr>
<td>F. Timing</td>
<td></td>
</tr>
</tbody>
</table>

1. Vouch recorded sales from the sales journal to the file of bills of lading.
   (1) _____   (2) _____

2. Compare dates on the bill of lading, sales invoices, and sales journal to test for delays in recording sales transactions.
   (1) _____   (2) _____

3. Account for the sequence of prenumbered bills of lading and sales invoices.
   (1) _____   (2) _____

4. Trace from a sample of prelistings of cash receipts to the cash receipts journal, testing for names, amounts, and dates.
   (1) _____   (2) _____

5. Examine customer order forms for credit approval by the credit manager.
   (1) _____   (2) _____
Question (2)

(2-A): Discuss the similarities and differences between financial statement audits, operational audits, and compliance audits. Give an example of each type.

(2-B): There are five conditions that must be met before an auditor can issue a standard unqualified report for the audit of a private company. Please discuss each of these five conditions.

(2-C): Briefly explain each management assertion related to classes of transactions and events for the period under audit.

Question (3):

(3-A): Quality control standards are established by the Auditing Standards Board for auditors of private companies and by the Public Company Accounting Oversight Board for auditors of public companies.

(3-B): A financial statement audit typically consists of four phases. Identify each of these four phases of an audit and discuss the major activities performed by the auditor in each phase.

(3-C): List the purposes of audit documentation, and why each purpose is important and Explain the two types of documentation files,
Answer the following questions:

Q(1) (32 points):
Choose the correct answer for the following questions:

1 - Pure risk is characterized by:
   a) a chance of loss and a chance of gain  b) a chance of loss or no loss only
   c) certainty that a loss will occur  d) none of the above

2 - The most desirable means of dealing with risk is:
   a) transfer  b) retention  c) loss prevention  d) sharing  e) hedging

3 - The categories of the hazards are:
   a) perils, risks, and uncertainties  b) physical, moral, and moral
   c) personal, property, and liability  d) moral, morale, and physical

4 - In property insurance terminology, all the following are considered hazards except:
   a) a fire which is started in a waste paper basket  b) a steam iron left on unattended
   c) oily rags stored near a heater  d) a defective wiring system

5 - From the insurer's perspective, the operation of the insurance mechanism is an example of
   a) avoidance  b) retention  c) transfer  d) combination  e) loss prevention

6 - According to the law of large numbers, as the number of exposure units is increased
   a) the chance of loss declines  b) the probability of loss increases
   c) the accuracy of predictions should be better  d) none of the above

7 - From a social point of view, insurance is defined as
   a) an economic device  b) a means of reducing and eliminating risk
   c) a mechanism for combining homogenous exposures  d) a device that makes losses predictable for the group  e) all of the above

8 - The type of insurance that is characterized by individual equity and contractual arrangements is generally referred as
   a) social insurance  b) private insurance
   c) public welfare insurance  d) public guarantee insurance programs

9 - The term property insurance was originally considered to include
   a) fire and marine insurance  b) boiler and machinery insurance
   c) burglary and robbery insurance  d) plate glass insurance

10 - An insurer's underwriting policy is generally established by
    a) the desk underwriters  b) the rating bureau
    c) the officers of the company  d) the insurance department
11. For given type of insurance, the pure premium is computed to be $50 and the insurer's expense ratio is 40%. The gross premium for the coverage will be
   a) $60   b) $59   c) $70   d) $80   e) none of the above
12. The form of reinsurance used in life insurance that is not used in the property and liability field is
   a) facultative b) quota share c) excess loss d) term insurance
13. The principle of indemnity requires that
   a) insurance rates must be neither too high nor too low
   b) the insured should be paid for the loss he suffers and no more
   c) people who have accidents must pay for the loss that result
14. Life insurance which provides for payment only if the insured still alive is
   a) limited pay life insurance b) ordinary life insurance
   c) term insurance d) endowment insurance
15. The three primary elements in life insurance ratemaking are
   a) costs, profits, and taxes b) mortality, loading, and expenses
   c) interest, mortality, and loading d) interest, mortality, and profits
16. Loading is
   a) the difference between gross and net premiums
   b) a method of covering operating expenses
   c) a method of providing a safety margin
   d) a difficult problem for actuaries e) all of the above

Q(2) (14 points):
Complete the following sentences:

1. ............... shows the probabilities of dying at different ages.
2. ............... is defined as cause of loss.
3. .... refer to the process of selecting and classifying applications for insurance
4. ...... is one that is unexpected and occurs as a result of chance.
5. ...... is a condition that increases the chance of loss.
6. .... is dishonesty in an individual that increase the frequency or severity of loss, while ...... is carelessness or indifference to a loss because of the existence of insurance.

Q(3)(12 points):
Check X for the true statement and X for the false statement:
1. Hazard is anything that is likely to cause a loss, such as a fire and windstorm
2. The existence of risk in the economy tends to retard accumulation of capital.
3. The two fundamental characteristics of the insurance mechanism are transfer or shifting of risk and the sharing of losses on some equitable basis.
4. Insurance cannot be used to deal with exposures that lack one of the elements of an insurable exposure.
5. Flood insurance is a good example of a private insurance.
7. The primary purpose of underwriting is to avoid adverse selection.
8. A quota share reinsurance treaty reduces the surplus drain of the direct writing company to a greater extent than does an excess of loss reinsurance treaty.
9- Increases in reserves on policies in force appears as a deduction from income in a life insurance's income statement.
10- Murder of the insured by a beneficiary usually relieves the insurer of the obligation to pay the policy proceeds.
11- The policy reserve is equal to the difference between the present value of future benefits and the present value of future premiums.
12- As in the case of life insurance the calculation of the premium for an annuity reflects both expected mortality and the time value of money.

Q(4) (42) points:
Solve the following exercises:
1- Given that \( L_x = 1000000 \) and mortality raters at ages 20, 21, 22, 23, 25, and 26 are 0.113, 0.0032, 0.0034, 0.0036, 0.0038, and 0.004 respectively.
   a) construct a mortality table over ages 20-26.
   b) calculate \( e^{0.22} \)
2- A person aged 20 paid 1000 LE to purchase a 15-years temporary life annuity with the first payment to be made to him at age 30, find:
   (i) The size of each annual payment.
   (ii) The net annual premium if it is paid over the deferred period.
   (iii) The net annual premium if it is paid over the first 5 years after purchasing date.

GOOD LUCK!!!
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Public finance

Question one:

a) How a government budget deficit can cause the level of interest rates to rise for an economy? What is Ricardian equivalence, and what does it imply about the impact of the government budget deficit on the economy and the desirability of borrowing versus raising taxes to finance government expenditures.

b) Describe the behavior of marginal tax rate under a proportional, progressive and regressive tax system.

Question two:

a. From an economic point of view, what is the danger of a balanced government budget?

b. Suppose potatoes are selling for 120 piaster per kilo under a free market situation, as shown in the figure, the government now imposes a tax of 20 piaster per kilo of potatoes. What will happen to the price of potatoes and the quantity sold?
The economy has an overall tax rate 27% of national income. The full employment income level is $980 billion. In order to sustain this level, the government must keep its expenditures at $296 billion in addition to private investment and other injections.

1- Calculate the full employment balance (surplus or deficit for a budget which will just sustain full employment).

2- Calculate also the surplus or deficit, at an income level of $970 billion, for a budget which has the full employment balance calculated under 1.

Question three:

a) Explain how corrective taxes and subsidies can be used to internalize an externality.

b) Determine the conditions for efficient output of a pure public good. Illustrate your answer graphically.
First Question:

London Company provides the following data for 2007:
1. Sales for the year were 40000 units with selling price $15 per unit.
2. Inventories were as follows:

<table>
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<th>Inventory Type</th>
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<th>31/12/2007</th>
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</thead>
<tbody>
<tr>
<td>Materials inventory</td>
<td>$25000</td>
<td>$40000</td>
</tr>
<tr>
<td>Work-in-process inventory</td>
<td>60000</td>
<td>40000</td>
</tr>
<tr>
<td>Finished goods inventory</td>
<td>80000</td>
<td>60000</td>
</tr>
</tbody>
</table>

3. Purchases of materials during the year were $165000.
4. Costs for the period were as follows:
   - Materials put into production (80% direct materials) ??
   - Total labour costs (25% indirect labour) 200000
   - Factory overhead (excluding indirect materials & indirect labour) 90000

5. Selling expenses during the year were $20000, and general and administrative expenses were $30000.

Required:
a. Prepare the following statements:
   1. Cost of goods manufactured
   2. Cost of goods sold
   3. Income statement
b. Compute the following:
   1. Prime costs
   2. Conversion costs
   3. Product costs
   4. Period costs

Second Question:

a- Liverpool Company accumulated the following payroll data for the week ending 11 June:

<table>
<thead>
<tr>
<th>Employee</th>
<th>Hours Worked</th>
<th>Rate per Hour</th>
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<tbody>
<tr>
<td>A. Mark</td>
<td>50</td>
<td>$10</td>
</tr>
<tr>
<td>B. John</td>
<td>55</td>
<td>8</td>
</tr>
<tr>
<td>C. Robert</td>
<td>60</td>
<td>6</td>
</tr>
</tbody>
</table>

Additional Information:
1. The union contract requires that employees receive time and a half for any hours worked above 40 hours per week.
2. A. Mark worked 30 hours on job 11 and 20 hours on job 12. Mark's overtime resulted from the random scheduling of too many jobs.
3. B. John worked the entire week on job 13, which was a rush order and the customer has agreed to pay for special service.
4. C. Robert had to work overtime because he had to correct his own poor workmanship on job 14.

Required:
Prepare the journal entry to record the payroll.
b- Manchester Company adopted an incentive plan. The factory workers are paid $4 per unit with a minimum guaranteed wage of $200 per week ($5 per hour). All employees worked a total of 40 hours for the week ending May 21, 2004. The report on employees' productivity for that week follows:

<table>
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<th>Weekly Summary</th>
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<tr>
<td><strong>Employee's Name</strong></td>
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<td>A. Ahmed</td>
</tr>
<tr>
<td>H. Hady</td>
</tr>
<tr>
<td>M. Mohamed</td>
</tr>
<tr>
<td>N. Naser</td>
</tr>
<tr>
<td>T. Tamer</td>
</tr>
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</table>

**Required:**
1. Compute each employee's gross wage.
2. Prepare the journal entry to record the total payroll.

**Third Question**

The Colchester Company has two service departments (A and B) and two production departments (11 and 22). The budgeted costs for the period for the service and producing departments were as follows:

1. Service departments' total costs:
   - Department A: $20500
   - Department B: 15000

2. Producing departments' factory overhead costs:
   - Department 11: 40000
   - Department 22: 50000

**Additional information:**

<table>
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<th>Machine hours</th>
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<tr>
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<td>4000</td>
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<tr>
<td>B</td>
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</tr>
<tr>
<td></td>
<td>12000</td>
<td>22000</td>
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</table>

The costs of department A are allocated on the basis of square feet. The costs of department B are allocated on basis of machine hours. The producing departments' factory overhead application rates based on direct labor hours. The direct labor hours estimated for the period were: 5000 in department 11 and 4000 in department 22.

**Required:**

a. Allocate the total costs of the service departments to the producing departments by using the following methods:

1. Step method (allocate the costs of the department A first)
2. Algebraic method

b. Compute the factory overhead application rates for the two producing departments in both methods.

**Best Wishes**
Question One: (15 marks)

Indicate whether each of the following statement is true (✓) or false (✗). Briefly justify your answer.
1. The ABC system classify inventory according to value.
2. There is no difference between JIT systems and Traditional systems in inventory management.
3. It is preferred to centralize procurement of specialized products.

Question Two: (40 marks)

Write short notes in each of the following in no more than one page.
1. Contemporary purchasing process.
2. Purpose of inventory.
3. Outsourcing Value Chain activities.
4. Eight of the main ethical principals of purchasing and supply management.
5. Criteria used to select the best suppliers and improve the relationship with them.

Question Three: (45 marks)

Alfa Company runs a business for gym equipment. The annual demand for the product TSA0 is 16,000 units for the upcoming year. The unit cost is $25 and the cost of placing an order is $50. It takes a total of 5 days lead time for each order. The holding cost per unit $2.5 annually. The company keeps a safety stock to cover 2 days delay in supply. Assume that there are 250 working days per year.

Required:
1. Define and compute the EOQ for the product TSA0.
2. Compute the total ordering and carrying costs associated with the EOQ.
3. Define and count the safety stock for the product TSA0.
4. Define the lead time and reorder point and draw a graph to illustrate the maximum-minimum system for controlling inventory levels of this company.
5. Draw a graph and illustrate the relationship between holding cost and ordering cost and point the EOQ.

End of Questions
With my best wishes

Dr. Alaa Tag Eldin Mohamed
First Question

(1) Define the following:
   a- Tax
   b- Direct & indirect tax
   c- Proportional & progressive tax.

(2) Determine if the following phrases are true or false;
   a- Unified tax is imposed on total income at a different rates.
   b- Tax on natural persons is an indirect tax.
   c- Salaries tax is retained at source by an intermediary.
   d- The terms of being subject to tax on commercial and industrial activities include
      the term of working in Egypt.
   e- The terms of being subject to tax on non-commercial professions include the term
      that the activity must based on capital element.

Second Question

An employee in a public sector company obtained the following amounts every month during 2007:

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<tr>
<td>Special increment not added to basic salary</td>
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<tr>
<td>Social increment</td>
<td>50</td>
</tr>
<tr>
<td>Representation and reception allowance</td>
<td>250</td>
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<tr>
<td>Transportation allowance</td>
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<tr>
<td>Production incentive</td>
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</table>

On 1/7, he was granted monthly a periodical increment L.E. 100.
On 1/10, he was granted monthly a Nature of work allowance L.E. 200.
At the end of the year, this employee received a bonus for L.E. 2000. He paid during
the year L.E. 1500 as a life insurance. And he also paid L.E.100 every month as
subscription in a special insurance fund.

Required
1- Calculate the taxes due every month.
2- Calculate the taxes due on the bonus.
3- Prepare a settlement list at the end of year 2007.

Third Question

(1) During year 2003, the Cairo Construction Company entered into a 3-year contract
with a total contract value of L.E. 6000000. By examining the records, the tax
accountant found out that the company used the completed contract method to
account for this contract. The appropriated method in the case of long term
contract is the percentage of completion method.
The company records show the following cost data regarding this contract during 2003, 2004 and 2005:
2003: Actual costs for the year were L.E. 1200000.
     Estimated costs to complete the contract in the future were L.E. 2800000.
2004: Actual costs for the year were L.E. 1530000.
     Estimated costs to complete the contract in the future were L.E. 1470000.
2005: Actual costs for the year were L.E. 2000000.

Instructions
Determine the taxable net income from this contract in 2003, 2004 and 2005.

(2) A sole proprietorship prepares its final accounts at 31/12.
The following transactions took place during 2009:
a- On 1/1, the beginning balance of machines & equipments was L.E. 50000.
b- On 1/4, purchased new machines & equipments for L.E. 40000.
c- On 17, purchased used machines & equipments for L.E. 20000.
d- On 1/9, sold machines & equipments for L.E. 12000.

Instructions
Compute the taxable depreciation expense of machines & equipments for 2009.

(3) Accounting net profit of sole proprietorship for year 2008 was L.E. 90000. The tax examination revealed the following:
a- The revenues included L.E. 12000 recovered bad debts of which L.E. 9000 was previously approved by tax department.
b- The revenues not included L.E. 23000 compensation received from an insurance company for damaged goods.
c- The expenses included L.E. 10000 depreciation expense of furniture which was computed at 10% rate, while the rate approved by tax department was 25%.

Instructions
Compute the taxable net profit for year 2008.

Fourth Question
(1) A tax payer plants the following agricultural land:
Vegetables & ordinary crops 5 acres, Owned,  
Productive fruits: 9 acres, Owned,  
Medicinal and aromatic plants 6 acres, Hired,  
Nurseries of horticultural crops 5 acres, Owned,  

Instructions
Compute the net taxable revenues of the agricultural land, assuming that the tax payer uses one acre of the nurseries for personal benefit.

(2) A person owns a building including ten floors (one floor is used by him and his family). Building tax for this building is L.E. 600 (tax rate is 20%). He leases 2 floors according to the new rent law at monthly rent of L.E. 2000 for 9 months.

Instructions
Compute the net taxable revenues of the building.

Best Wishes