Answer the following questions:

Question One

Determine whether each one of the following statements is true or false

1- Income statement is an example of accounting information that is provided to the firm’s manager.

2- The primary objective of any AIS is to provide accounting information to internal users such as managers and internal users such as customers.

3- Transaction processing consists of processing accounting and nonaccounting transactions through key accounting records by means of procedures.

4- The data collection function (performed during the output stage) include capturing transaction data and recording it into forms.

5- The funds, facilities, and the labour of employees and managers represent the input of the business system.

6- Under the hierarchical organizational structure, the activities and operations of a firm are subdivided like silos.

7- Recording transactions, posting them to ledger, and preparing reports are considered as business events.

8- In a manual AIS, it may not be difficult to differentiate one type of transaction from another.

9- When a document crosses an organizational line within the flowchart, the document is pictured again in the new organizational unit.

10- In flowcharting, the symbol for manual processing (an inverted triangle) should appear each time a clerk performs a step in the procedure.

11- It is not usual for data warehouses to contain hundreds of terabytes of data.

12- In designing relational databases the value of primary key cannot be null.

13- The data organized in the form of records, can be gathered at the time they originate.

14- Data warehouses do not replace transaction processing databases.

15- Companies can reduce fraud possibilities by merely creating internal control system.

16- Accidents caused by human carelessness, failure to follow established procedures, and poorly trained or supervised personnel are examples of intentional threats.

17- Individuals who commit fraud are referred to as blue-collar criminals.

18- In operation stage of SDLC, new hardware and software are installed and tested.

19- One of the forms of resisting new AIS is projection, which can be defined as blaming the new system for everything that goes wrong.

20- The concluding step in systems analysis is preparing a systems analysis report to summarize and document analysis activities.
Question Two
Listed below are some terminologies that are related to AIS:

<table>
<thead>
<tr>
<th>Information</th>
<th>Data</th>
<th>Information System</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chart of Accounts</td>
<td>Data Mining</td>
<td>Accounting Information System</td>
</tr>
<tr>
<td>Network Structure</td>
<td>Primary Key</td>
<td>Database Management System</td>
</tr>
<tr>
<td>Schema</td>
<td>Record</td>
<td></td>
</tr>
</tbody>
</table>

Each of the following statements describes one of these terminologies. For each statement indicate the terminology described.
1- A set of codes assigned to general ledger accounts in an AIS.
2- An organizational structure that represents an interconnected but non-hierarchical structure that is both flexible and fluid.
3- Using sophisticated statistical analysis, including artificial intelligence techniques such as neural networks, to “discover” un-hypothesized relationships in the data.
4- The interface between the database and the various application programs.
5- Is data that have been processed and are meaningful and useful to users.
6- Describes the logical structure of a database.
7- The database attribute, or combination of attributes, that uniquely identifies a specific row in a table
8- A series of related data elements of an entity.
9- A unified structure that employs physical resources and components to transform economic data into accounting information for external and internal users.
10- A framework in which data is collected, processed, controlled and managed through stages in order to provide information to users.

Question Three
Choose the best answer for each of the following questions:

1- Data collection function of AIS involves the following steps EXCEPT:
   a- Capturing the transaction data.
b- Recording data into forms.
c- Merging, or combining two or more batches or files of data.
d- Validating and editing the data to ensure their accuracy and completeness.

2- An example of nonaccounting transaction is:
   a- Placing a purchase order for computers
   b- Billing customers for sales transactions
c- Payment amounts due to creditors
d- Payment of employees’ monthly salaries

3- The functional step in transforming data into information that includes such steps as interpreting, reporting, and communicating information is:
   a- Data collection
   b- Information generation
c- Data Maintenance
   d- None of the above

4- The management level information system aims to serve the following group:
   a- Senior managers
   b- Middle managers
c- Data workers
d- Operational Managers

5- Which of the following statements about flowcharts is NOT TRUE?
   a- A flowchart is an analytical technique used to describe some aspect of an information system in a clear, concise, and logical manner.
b- Flowcharts use a standard set of symbols to describe pictorially the flow of documents and data through a system.
c- Flowcharts are easy to prepare and revise when the designer utilizes a flowcharting software package
d- A system flowchart is a narrative representation of an information system.
6- When a functionally organized tractor manufacturing company can also combine in its structure a project-orientation, this is an example of:
   a- Matrix Organizational Structure  b- Hierarchical Organizational Structure
c- Decentralized Organizational Structures  d- Networking Organizational Structure
7- Which of the following flowcharts depict the relationships among the inputs, processing, and output of AIS:
   a- Program flowchart  b- Computer configuration chart
c- Document flowchart  d- System flowchart
8- Which of the following would managers most likely use to retrieve information about sales during the month of November?
   a- DML  b- DQL  c- DDL  d- DSL
9- What is each row in a relational database table called?
   a- Relation  b- Attribute
c- Anomaly  d- Tuple
10- Which of the following attributes would most likely be a primary key?
    a- Customer number  b- Customer name
c- Customer account balance  d- Customer Zip code
11- The following are advantages of database systems except:
    a- Data Integration  b- Data Sharing
c- Minimizing Data Redundancy  d- Data dependence
12- The following are among the design requirements of relational databases except:
    a- Every column must be single valued.
    b- Primary keys must contain data (not null).
    c- Foreign keys must contain the same data as the primary key in another table.
    d- All other attributes must identify a characteristic of the table identified by the foreign key
13- Which of the following is a fraud in which later payments on account are used to pay off earlier payments that were stolen?
    a- Kiting  b- Salami technique  c- Lapping  d- Ponzi scheme
14- Which type of fraud was the one of the main reason behind the collapse of Enron energy company?
    a- Fraudulent financial statements  b- Ponzi scheme
c- Kiting  d- Lapping
15- All of the following conditions are usually necessary for a fraud to occur except:
    a- Pressure  b- Opportunity  c- Explanation  d- Rationalization
16- Which of the following causes the majority of computer security problems?
    a- Human errors  b- Software errors  c- Natural disasters  d- Power outage
17- Which of the following is not among the motivations of fraudulent financial reporting?
    a- Falsified to deceive investors and creditors
    b- Increase a company's stock price
    c- Meet cash flow needs
    d- Deceive firm's employees regarding the company's performance
18- Which of the following is the planning technique that identifies implementation activities and their relationships, constructs a network of arrows and nodes, and then determines the critical path through the network?
   a- Gantt chart           b- Physical model
   c- Flow charts           d- PERT diagram

19- The marketing department is designing a new AIS. Who is best able to determine departmental information requirements?
   a- Steering committee    b- Controller
   c- Marketing Department  d- Top management

20- Which of the following is the correct order of the steps in systems analysis?
   a- Initial investigation, system survey, feasibility study, determination of information needs and system requirements.
   b- Initial investigation, determination of information needs and system requirements, feasibility study, system survey.
   c- Determination of information needs and system requirements, system survey, feasibility study, initial investigation
   d- System survey, initial investigation, determination of information needs and system requirements, feasibility study

Question Four
Answer FOUR ONLY from the following five questions:
1- The primary aim of any AIS is to provide accounting information to a wide variety of users. Discuss in brief the specific objectives that can help in achieving this primary aim?
2- Briefly discuss the following statement. A system view of accounting allows us to organize our knowledge of accounting from the perspective of an information system?
3- What are the design requirements for Relational Database?
4- Discuss the different kinds of the threats that may face AIS? Support your answer with examples?
5- Discuss the key issues and steps in systems analysis?
The following data can be used to prepare the state budget for the governmental year 2013/2014 (numbers in million):

<table>
<thead>
<tr>
<th>Data</th>
<th>Actual Data</th>
<th>12/13 (Current)</th>
<th>13/14</th>
<th>Unit</th>
<th>Ministry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compensation for employees</td>
<td>220</td>
<td>240</td>
<td>250</td>
<td>210</td>
<td>260</td>
</tr>
<tr>
<td>Taxes</td>
<td>520</td>
<td>540</td>
<td>590</td>
<td>650</td>
<td>660</td>
</tr>
<tr>
<td>Local loans</td>
<td>160</td>
<td>190</td>
<td>250</td>
<td>230</td>
<td>355</td>
</tr>
<tr>
<td>Collection from payment of foreign</td>
<td>10</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>5</td>
</tr>
<tr>
<td>Acquisition of non financial assets</td>
<td>160</td>
<td>190</td>
<td>255</td>
<td>300</td>
<td>405</td>
</tr>
<tr>
<td>Subsidies, grants and social</td>
<td>60</td>
<td>70</td>
<td>70</td>
<td>60</td>
<td>55</td>
</tr>
<tr>
<td>Acquisition of local financial assets</td>
<td>25</td>
<td>10</td>
<td>15</td>
<td>10</td>
<td>15</td>
</tr>
<tr>
<td>Payment of local loans</td>
<td>90</td>
<td>90</td>
<td>130</td>
<td>155</td>
<td>170</td>
</tr>
<tr>
<td>Sales of local financial assets</td>
<td>100</td>
<td>100</td>
<td>70</td>
<td>60</td>
<td>70</td>
</tr>
<tr>
<td>Interests</td>
<td>70</td>
<td>55</td>
<td>60</td>
<td>30</td>
<td>20</td>
</tr>
<tr>
<td>Foreign loans</td>
<td>40</td>
<td>80</td>
<td>110</td>
<td>90</td>
<td>160</td>
</tr>
<tr>
<td>Purchase of goods and services</td>
<td>390</td>
<td>410</td>
<td>355</td>
<td>300</td>
<td>280</td>
</tr>
<tr>
<td>Other expenses</td>
<td>100</td>
<td>90</td>
<td>200</td>
<td>190</td>
<td>350</td>
</tr>
<tr>
<td>Collection from payment of local</td>
<td>30</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>10</td>
</tr>
<tr>
<td>Collection from privatization</td>
<td>??</td>
<td>??</td>
<td>??</td>
<td>??</td>
<td>??</td>
</tr>
<tr>
<td>Issuing of stocks</td>
<td>25</td>
<td>35</td>
<td>40</td>
<td>60</td>
<td>100</td>
</tr>
<tr>
<td>Grants</td>
<td>15</td>
<td>30</td>
<td>60</td>
<td>35</td>
<td>40</td>
</tr>
<tr>
<td>Payment of foreign loans</td>
<td>100</td>
<td>60</td>
<td>90</td>
<td>150</td>
<td>170</td>
</tr>
<tr>
<td>Sales of foreign financial assets</td>
<td>30</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>10</td>
</tr>
<tr>
<td>Other revenues</td>
<td>110</td>
<td>100</td>
<td>105</td>
<td>155</td>
<td>170</td>
</tr>
<tr>
<td>Acquisition of foreign financial</td>
<td>20</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>5</td>
</tr>
</tbody>
</table>

**Required:**

1. Calculate the operating surplus/deficit for the state budget for the budgetary year 2013/2014.
2. Calculate the cash surplus/deficit for the state budget for the budgetary year 2013/2014.
3. Calculate the total surplus/deficit for the state budget for the budgetary year 2013/2014.
4. Determine the sources of finance which cover the total deficit of the state budget.

5. Prepare the comprehensive form of the state budget for the budgetary year 2013/2014. Assume that the gross national product (GNP) for the years 2012/2013 and 2013/2014 is 30,000 and 25,000 million respectively.

**Question (2):**

A certain governmental unit undertook the following financial operations during the month of November, 2012 (amounts in L.E.):

1. On 1/11, the public treasury of the unit collected 100,000 as a known kind of revenues which belongs to the unit.
2. On 3/11, it drew a cheque for the amount of 50,000 to pay for stationary items the value of which amounts 55,000.
3. On 7/11, the public treasury of the unit collected 10,000 as service revenues which belongs to another unit.
4. On 10/11, it drew a cheque for the amount of 10,000 to pay for spare parts.
5. On 9/11, the unit received two cheques as a known kind of revenues amounted to 60,000 and 30,000 respectively.
6. On 11/11, the cheque issued in November 10, was returned as the beneficiary was not the right person.
7. On 15/11, a supplier lost the cheque which was issued to him for the amount of 50,000. So, he submitted an application to the administration to issue a new cheque for him and the administration approved this application.
8. On 17/11, the unit received two postal orders as a collection of revenues, amounted to 75,000 and 33,000 respectively. By examining the second postal order, it was found that it belongs to another unit. The unit drew a cheque of the value of the second order and send it to the other unit.
9. On 20/11, the unit received credit advice from the central bank confirming the collection of the first cheque received on 9/11.
10. On 24/11, the unit received another advice from the central bank informing that it was impossible to collect the second cheque received on 9/11, due to insufficient balance. Therefore the unit returned the cheque to the titular and collected the value in cash.
11. On 30/11, total wages amounted to 20,000 of which 1,000 and 1,500 are due to the insurance and tax authorities respectively.

**Required:**
Prepare the journal entries required to record the aforementioned transactions in the governmental unit.
Question (3):

1. State the main features of governmental accounting in Egypt.
2. Discuss briefly the main principles for preparing the state budget.
3. What are the main forms to prepare the state budget? (types of budgets).
4. State the main principles applied when preparing the national accounts.
5. Define the following terms:
   a. Gross value added  
   b. Intermediate consumption  
   c. Final consumption

Question (4):
The following data can be used to prepare the sequence of accounts of the domestic economy for the governmental year 2011/2012 (numbers in million):

Output of goods and services 120, Intermediate consumption 50, Compensation of employees and property income receivable from the rest of the world 5, Compensation of employees and property income to the rest of the world 2, Current transfer receivable from the rest of the world 3, Current transfer payable to the rest of the world 4, Final consumption 45, Gross capital formation 17, Capital transfers from the rest of the world 3, Capital transfers to the rest of the world 5, Net acquisition of financial assets (money 4, loans 4), Net incurrence of liabilities 0, Consumption of fixed capital -1, Financial assets 8, Financial liabilities 0. Imports 20, Exports 28.

Required:

a. Prepare a table to show a simplified sequence of accounts of the domestic economy.

b. Prepare a table to show a simplified account of the rest of the world.

Best Wishes
Dr. Ahmed H. Ahmed
Use the diagram Presentation and mathematical equation your answer the following questions if it is necessary

Question no. 1:
(A) "Explain the origin of profit and analyse the relation between wages, capital and surplus value according to Marxist theory":
(B) "Represent the structural-change approach are the two-sector surplus labor theoretical Model of W. Arthur - Lewis".
(C) "The Keynesian theory is not applicable to underdeveloped counties" Explain why?

Question no. 2:
(A) Circle whether the following statements are true (T) or false (F).
1- Marx believes that technological progress tends to decrease the organic composition of capital.
2- Forced saving are savings brought about through involuntary reductions in consumption.
3- In the Keynesian theory total income is a function of total employment in a country.
4- The nature of unemployment in an underdeveloped country is chronic rather than cyclical.
5- According to Keynes there is positive relationship between investment and marginal efficiency of capital.
6- According to Marxian theory Capitalism leads the proletarian revolution where by the dictatorship of the proletariat is established.
7- In Lewis model the real rural wage is determined by the marginal and not average product of labor.
8- In Lewis model the level of wages in urban industrial is assumed to be constant.
9- The Keynesian approach rejects the idea that saving determines investment and argues instead that the encouragement of investment will generate its own saving.
10- The materialistic interpretation of history attempts to show that all historical events are the result of a continuous economic struggle between different classes and groups in society.

(B) Circle the appropriate answer:
1- In the Keynesian financial model the actual growth of capital is a (linear - nonlinear) combination of planned saving and planned investment.
2- The propensity to save out of wages ($s_w$) plus the propensity to save out of profits ($s_p$) must equal (one less than one - more than one)
3- The Keynesian economics is (Long - Short) period analysis.
4- The Keynesian theory is based on the existence of (disguised - chronic - Cyclical) unemployment which occurs during a depression.
5- In an underdeveloped economy the propensity to consume is very (Low - High) And the propensity to savings are almost (negative - zero - negligible)
6- At Marxian theory, capital accumulation and concentration involve increase (constant - variable) capital and decline in (constant - variable) capital.
7- The principle of marginal productivity tells that where the (Ratio - Average) of capital to Other factors is Low the marginal productivity of capital is (Low - High)

Dr. G. I. Hassan
(C) write the economist's name which who used the following expression.

1- From each individual will contribute to national income according to his abilities and receive according to his needs.
2- Investment generates its own saving through increases in output and profits.
3- 'Antidevelopmental' economic growth.
4- Effective demand.
5- saving adjust to the desired level of investment through a rise in the share of profits in national income.
6- "practical Keynesianism is a seedling which cannot by transplanted into foreign soil; it dies there and becomes poisonous before it dies. But left in English soil, this seedling is a healthy thing and promises both fruit and shade."
7- When the capitalist is replacing the workers by machines, he is killing the goose that laid the golden eggs.
8- Underdeveloped countries as those which compared with the advanced countries are underequipped with capital in relation to their population and natural resources."
9- Economic development has much to do with human endowments social attitudes, political conditions and historical accidents. Capital is necessary but not a sufficient condition of progress.
10- Keynes never formulated the economic problems of underdeveloped countries nor did he discuss the relevance to these countries of either the objective or the policy that he proposed for the more developed countries.

Question no. 3: 40 Mark

(A) present the Harrod - Domar model for growth and illustrate why it is not a dynamic model.

(B) suppose that following values for Harrod-Domar model

\[ V = 5 \quad U = 12 \quad s = 0.10 \quad K_0 = 50 \quad L_0 = 120 \quad n = 0.05 \]

- Calculate the real value for all \((L) - (K) - (y)\) and equilibrium case for both \((0, 1)\) periods.
- Calculate the real value for all \((L_1) - (K_1) - (y_1)\) and equilibrium case if \(n\) become = 0.01
- Calculate the real value for all \((L_1) - (K_1) - (y_1)\) and equilibrium case if \(n\) become = 0.03

(C) use kaldor's saving function to adjust disequilibrium in above Stage if the

\[ S_p = 0.43 \quad S_w = 0.03 \]

(D) suppose you have the following Data,

\[ I = 20 \quad K = 100 \quad S = 10 \quad \frac{\Delta P}{P} \%20 = 0.6 \quad \lambda = 1 \]

- Calculate \(\frac{\Delta y}{y}\) according to keynsian approach
- Calculate \(\frac{\Delta y}{y}\) according to kaldor's approach

Good luck.....
Dr. Gamal I. Hassan
Question no. ( 4 )

A : Circle the appropriate answer .

1- The marginal propensity to save out from wages in Robinson model
    ( constant – less than 1 – zero ).

2- There is no conflict between employment and saving when the wage is
    ( constant – equil the average productivity – equil the marginal productivity )

3- In Keynesian model, the effect of inflation on saving depend on the ( change – extent –
    increase ) to which income is redistributed between wages and profits ; and the
    ( chang – extent – increase ) of the difference in the propensity to save out from wages and
    profits.

4- under the assumption of perfectly competitive labor markets in the modern sector, these
    (average – marginal – total ) product of labor curves are in fact the
    ( future – potential – actual ) demand curves for labor in the Lewis theory.

B : Write the Economist's Nome which used the following expression .

1- when the capitalist is replacing the workers by machines, he is killing the goose that laid the
    golden eggs

2- Each individual will contribute to national income according to his abilities and receive
    according to his needs.

3- Antidevelopment economic growth

4- The Golden Age

5- Effective demand

C : Circle whether the following statement are true (T) or false (F)

1- In Marx theory the surplus value equal what is goes into the capitalist's pocet in the form of
    net profit

2- In Marx theory the rate of profit varies positively with the organic composition of capital

3- The Keynesian theory is based on the existence of disguised unemployment which occurs
    during a depression

4- In Lewis model the level of wages in urbon industrial above than agricultural wage by %10

5- Household and business saving is sometimes referred to as public Saving

6- Inflation is likely to be a natural Concomitant of development

7- The prior – Savings approach is the Keynesian concepte

8- The basic Keynesian notion that investment depend on Saving forms the backbone of
    neokeynesian growth theory

9- In Keynesian models investment is nat constrained by saving but the inflation rate willing
    to be tolerated by wage earners who have had their real wages cut
Question no. (2)

A: "The basic vicious circle of poverty stems from the fact that in LDCs total productivity is low due to deficiency of capital" Discuss

B: "According to Marx it is surplus labor that leads to capital accumulation" illustrate by detail

C: Explain why is the Keynesian principle of multiplier does not operate in an underdeveloped countries"

Question no. (3)

(A) present the Harrod - Domar model for growth and illustrate why it is not a dynamic model.

(B) Suppose that following values for Harrod - Domar model

\[ V = 4 \quad s = 0.20 \quad n = 0.05 \quad U = 8 \quad L_o = 64 \quad K_o = 32 \]

1- Calculate the real value for all \((L, K, Y)\) and equilibrium case for both \((0, 1)\) periods.

2- Calculate the real value for all \((L, K, Y)\) and equilibrium case if \(n\) become = 0.04

3- Calculate the real value for all \((L, K, Y)\) and equilibrium case if \(n\) become = 0.06

4- Use Kaldor's saving function to adjust disequilibrium in above stages if the

\[ sp = 0.36 \quad sw = 0.04 \]

Question no. (4)

(A) present and compare between Harrod - Domar, Kaldor, and Robinson saving function

(B) suppose you have the following variable

\[ k = 8000 \quad \frac{\Delta k}{k} = 0.05 \quad \alpha = 0.4 \quad B = 0.08 \]

\[ s = 0.06 \quad Y = 2000 \quad w = 1600 \]

- Calculate the saving from three saving functions

Good luck.....

Dr. Gamal I. Hassan

\[ \text{G.I. Hassan} \]
First Question:

Colchester Company uses a job order cost system to record and distribute costs. The following information was accumulated for job 25 during month of July:
1. The production volume was 5000 units.
2. Direct materials issued for job 25 were $25000.
3. Direct labour cost for job 25 was $30000.
4. Factory overhead is applied at 150% of direct labour cost.

There were 200 spoiled units with a salvage value of $4 each. Spoilage of 50 units was abnormal. In addition, there were 100 defective units, 40 of which were expected.

The rework costs of defective units were as follows:
- Direct materials $250
- Direct labour 300
- Factory overhead 450
Total 1000

Required

Prepare the journal entries necessary to record the above information, assuming that the normal spoilage and defective rework costs were:
a. Allocated to all jobs (included in the factory overhead application rate).
b. Allocated to specific jobs (not included in the factory overhead application rate).

Second Question:

Essex Company manufactures a single product. The company uses a process cost system which involves two processing departments, A and B. In the department A, direct materials are added at the beginning of the process. In the department B, direct materials are added at 50% completion of the process. Inspection for spoiled units occurs at the 60% stage of completion at department A and at the 40% stage of completion at department B.

For the month of June 2011, the following data are available:

<table>
<thead>
<tr>
<th>Units</th>
<th>Department A</th>
<th>Department B</th>
</tr>
</thead>
<tbody>
<tr>
<td>a- Beginning units in process</td>
<td>2000 (40%)</td>
<td>2500 (60%)</td>
</tr>
<tr>
<td>b- Units started in process</td>
<td>10000</td>
<td>??</td>
</tr>
<tr>
<td>c- Units completed and transferred out</td>
<td>??</td>
<td>??</td>
</tr>
<tr>
<td>d- Ending units in process</td>
<td>2500 (40%)</td>
<td>1000 (60%)</td>
</tr>
<tr>
<td>e- spoiled units:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Normal</td>
<td>300</td>
<td>200</td>
</tr>
<tr>
<td>Abnormal</td>
<td>200</td>
<td>300</td>
</tr>
</tbody>
</table>
Costs

a. Costs of beginning units in process: $9560 12000
b. Costs added during the period:
   - Direct materials 40000 25500
   - Conversion costs 28500 18600

Required

Prepare a cost production report for Month of June for departments A and B using the FIFO costing method.

Third Question

Liverpool Corporation is a manufacturing company that produces a single product. The standard costs per unit are as follows:

- Direct materials 2 pounds at $5 per pound
- Direct labour 3 hours at $3 per hour
- Factory overhead 3 hours at $4 per hour

Normal capacity is 30,000 hours, and the fixed factory overhead at this normal capacity is $45000.

Data for month of June are presented below:

a. Units started in process during month were 12,000 units.
b. The ending units in process consisted of 2000 units which were 100% complete as to direct materials and 50% complete as to direct labour and factory overhead.
c. Actual costs applicable to June production were as follows:

<table>
<thead>
<tr>
<th>Actual Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>$126500</td>
</tr>
<tr>
<td>93500</td>
</tr>
<tr>
<td>141000</td>
</tr>
</tbody>
</table>

Required

Compute the following variances:

a. Direct materials total, efficiency and price variances.
b. Direct labour total, efficiency and price variances.
c. Factory overhead variances, using the three-factor analysis.

Best Wishes
Answer the following questions:

1- Select the correct answer for each of the following: (36 marks)

1- The examination of ratios over time is called:
   a. cash flow estimation  b. trend analysis
   c. capital expenditure  d. flotation cost

2- Projects are projects whose cash flows are not affected by the acceptance of other projects.
   a. Crossover  c. Independent
   b. Internal rate  d. Mutually exclusive

3- If a firm fails to earn return at the expected rate:
   a. The cost of capital will increase.
   b. The market value of the shares will fall.
   c. The company will issue more shares.
   d. None of the above.

4- Permanent working capital
   a. Varies with seasonal needs.
   b. Includes fixed assets.
   c. Is the amount of current assets required to meet a firm's long-term minimum needs.
   d. Includes accounts payable

5- NPV indicates a project is deemed desirable (acceptable) when:
   a. the NPV is greater than or equal to zero
   b. the NPV is less than zero
   c. the NPV is greater than or equal to the risk-adjusted cost of capital
   d. the NPV is less than or equal to the risk-adjusted cost of capital

6- Financial leverage, up to certain point, helps the firm to:
   a- Keep its overall cost of capital as it is.
   b- Reduce its overall cost of capital.
   c- Increase its overall cost of capital.
   d- None of the above.

7- Finance manager performs the following major functions except:
   a. Forecasting Financial Requirements
   b. Acquiring Necessary Capital
   c. Interrelation with Other Departments
   d. Training and development of financial management officials.

8- If the preferred stock has dividends of $10 and an issue price of $100, and flotation costs of $4 per share. What is the cost of that stock?
   a. 10%  b. 10.41%  c. 9.48%  d. 8.96%

9- Factors that investors look at when assigning the cost of capital include all of the following Except:
   a- The riskiness of earnings.
   b- The size of working capital.
   c. Growth of profit
   d. Financial soundness
10- UKNO, Inc. uses only debt and common equity funds to finance its assets, which are worth $100m. This past year the firm’s return on total assets was 13%. The firm financed 42% percent of its assets using debt. What was the firm’s return on common equity (ROE)?
   a. 30.95%  b. 22.41%  c. 27.16%  d. 33.96%

11- If the EBIT of a company were to increase from $100,000 to $200,000 and its EPS increased from $1.00 to $2.50, what is the financial leverage?
   a. 2.5  b.3.5  c. 1.5  d. 2.00

12- If the ratio of assets to sales is 70%. The ratio of liabilities to sales is 30%. The sales are expected to increase by 200,000 next year. The company has maintained 3% of sales as net earnings after dividends. The actual sales are 100,000. What is the external required financing?
   a. 40,000  b. 60,000  c. 50,000  d. 70,000

II- ABC Company should select one of the following projects: (40 marks)

<table>
<thead>
<tr>
<th>Cash inflows</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year</td>
</tr>
<tr>
<td>1</td>
</tr>
<tr>
<td>2</td>
</tr>
<tr>
<td>3</td>
</tr>
<tr>
<td>4</td>
</tr>
<tr>
<td>5</td>
</tr>
</tbody>
</table>

The discount rate is 10%.

a- If the initial cost for each is 34400 which one to choose according to the NPV and IRR methods?

b- Do you think that your answer will be different if the discount rate is 12%? Explain.

c- Which one of the two projects is more risky than the other? Explain.

(Note that the NPV at different ratios are as follows :)

Present value factors $1/(1+i)^t$

<table>
<thead>
<tr>
<th>year</th>
<th>0.10</th>
<th>0.11</th>
<th>0.12</th>
<th>0.13</th>
<th>0.14</th>
<th>0.15</th>
<th>0.16</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0.9091</td>
<td>0.9009</td>
<td>0.8929</td>
<td>0.885</td>
<td>0.8772</td>
<td>0.8696</td>
<td>0.8621</td>
</tr>
<tr>
<td>2</td>
<td>0.8264</td>
<td>0.8116</td>
<td>0.7972</td>
<td>0.7831</td>
<td>0.7695</td>
<td>0.7561</td>
<td>0.7432</td>
</tr>
<tr>
<td>3</td>
<td>0.7513</td>
<td>0.7312</td>
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<td>0.6931</td>
<td>0.675</td>
<td>0.6575</td>
<td>0.6407</td>
</tr>
<tr>
<td>4</td>
<td>0.683</td>
<td>0.6587</td>
<td>0.6355</td>
<td>0.6133</td>
<td>0.5921</td>
<td>0.5718</td>
<td>0.5523</td>
</tr>
<tr>
<td>5</td>
<td>0.6209</td>
<td>0.5935</td>
<td>0.5674</td>
<td>0.5428</td>
<td>0.5194</td>
<td>0.4972</td>
<td>0.4761</td>
</tr>
</tbody>
</table>

NPV Table T-PVAF- Present value annuity factors $(1-1/(1+i))^t/i$

<table>
<thead>
<tr>
<th>year</th>
<th>0.10</th>
<th>0.11</th>
<th>0.12</th>
<th>0.13</th>
<th>0.14</th>
<th>0.15</th>
<th>0.16</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>3.7908</td>
<td>3.6959</td>
<td>3.6048</td>
<td>3.5172</td>
<td>3.4331</td>
<td>3.3522</td>
<td>3.2743</td>
</tr>
</tbody>
</table>

III- Write notes on: (24 marks)

a. Profit maximization as one of financial management objectives
b. The limitations of ratio analysis.
c. Advantages and disadvantages of payback period

Good Luck!
The First Question (64 Marks):
Select the correct answer for each of the following question:
1- A set of two or more interrelated components that interact to achieve a goal is:
   a- A system
   b- An accounting information system
   c- Data
   d- Mandatory information

2- Goal conflict may result when
   a- A decision or action of a subsystem is inconsistent with the system as a whole.
   b- A subsystem achieves its goals while contributing to the organization's overall goal.
   c- Duplicate recording, storage and processes are eliminated.
   d- The data exceeds the amount the human mind can absorb and process.

3- Information is
   a- What happens when the data exceeds the amount the human mind can absorb.
   b- The benefit produced by the information minus the cost of producing it.
   c- Facts that are collected, recorded, stored, and processed by an information system.
   d- Data that have been organized and processed to provide meaning to a user.

4- Which of the following statements below shows the contrast between data and information?
   a- Data is the output of an AIS.
   b- Information is the primary output of an AIS.
   c- Data is more useful in decision-making than information.
   d- Data and information are the same.

5- Humans can absorb and process only so much information. Information ______ occurs when those limits are passed.
   a- overload
   b- excess
   c- anxiety
   d- discretion

6- The benefit produced by the information minus the cost of producing it.
   a- Goal congruence
   b- Information
   c- Information overload
   d- Value of information

7- How many components are found in an AIS?
   a- three
b- four

c- five

d- six

8- Information that reduces uncertainty, improves decision makers' ability to make predictions, or confirms or corrects their prior expectations, is said to be
a- Complete
b- Relevant
c- Reliable
d- Timely

9- Information that does not omit important aspects of the underlying events or activities that it measures is
a- Complete
b- Accessible
c- Relevant
d- Timely

10- Data must be converted into information to be considered useful and meaningful for decision-making. There are six characteristics that make information both useful and meaningful. If information is free from error or bias and accurately represents the events or activities of the organization, it is representative of the characteristic of
a- Relevancy
b- Timeliness.
c- Understandability
d- Reliability

11- An AIS is a system of six interrelated components that interact to achieve a goal. One of these components, which includes both manual and automated activities that involve collecting, processing, and storing data, is known as
a- Information or data
b- Procedures and instructions
c- Software
d- Information technology infrastructure

12- Which of the following is not an example of a common activity in an AIS?
a- buy and pay for goods and services
b- sell goods and services and collect cash
c- summarize and report results to interested parties
d- recording of sales calls for marketing purposes

13- An AIS must be able to fulfill three important functions in any organization. One such function is the collecting and storing of data about activities performed by the organization. One group that relies on both the adequate collection and transformation of data for decision-making purposes for an organization is
a- management.
b- interested outsiders.
c- competitors.
d- the government.

14- The Financial Accounting Standards Board (FASB), in its Statement of Financial Accounting Concepts No. 2, has defined accounting as
a- an information identification, development, measurement, and communication process.
b- a way to provide adequate controls to safeguard an organization's assets.
c- being an information system.
d- a way to collect and transform data into useful information.

15- The American Institute of Certified Public Accountants (AICPA) has recognized the importance of AIS and the major impact information technology has on the area of accounting. To recognize individual CPAs who have met educational and experiential requirements in this area, the group formally created the designation known as
a- the Certified Management Accountant.
b- the Certified Information Technology Professional.
c- the Certified Internal Auditor.
d- the Certified Data Processing Professional.

16- The primary focus of an AIS course, as opposed to other IS courses, is on
a- application of information technology.
b- use of accounting software.
c- understanding how information technology can be used to improve AIS processes.
d- preparation of financial statements.

17- A change in the AIS that makes information more easily accessible and widely available within an organization is most likely to first influence the
a- organizational culture.
b- customer base.
c- external financial statement users.
d- production activity.

18- The value chain concept is composed of two types of activities known as
a- primary and support.
b- primary and secondary.
c- support and value.
d- technology and support.

19- In value chain analysis, what is the activity of arranging the delivery of products to customers called?
a- outbound logistics
b- inbound logistics
c- shipping
20- A good example of how an AIS is used to share knowledge within an organization is
a- the use of an expert system to help staff identify the relevant experts who can help with a
particular client.
b- the use of laptop computers to access a network for messaging worldwide.
c- the monitoring of production equipment to watch for defects.
d- the use of point-of-sale data to determine hot-selling items.

21- Within the value chain conceptual framework, AIS is shown as a support activity. The AIS is
of value to an organization when it provides accurate and timely information to help support the
five primary value chain activities. When the AIS provides information in a timely and accurate
manner, it stands as an example of
a- improved decision making.
b- improving the quality and reducing the costs of products or services.
c- improving efficiency.
d- All of the above

22- A decision that is repetitive, routine and well understood is
a- structured
b- semistructured
c- unstructured
d- strategic

23- Decisions about the effective and efficient execution of specific tasks are concerned with
a- operational control.
b- management control.
c- strategic planning.
d- tactical planning.

24- Accounting information plays major roles in managerial decision making by
a- identifying situations requiring management action.
b- reducing uncertainty.
c- providing a basis for choosing among alternative actions.
d- all of the above

25- A principal focus of AIS is to assist with the decision-making function of an organization.
The degree of support AIS can provide depends on the type of decision being made. Decisions
are categorized in terms of the degree of existing structure or the effect of their scope. From the
items below, select the description that is an example of a semi-structured decision.
a- selecting basic research projects to undertake
b- setting a marketing budget for a new product
c- extending credit to an established customer
d- hiring a senior manager
26- A well-designed AIS can improve the decision-making function within the organization. Which statement below would describe a limitation, rather than a benefit, of an efficient AIS? 
a- An AIS reduces uncertainty, and therefore accounting information can provide a basis for choosing among alternative courses of action.  
b- An AIS identifies situations requiring management action.  
c- An AIS provides to its users an abundance of information without any filtering or condensing of such information.  
d- An AIS provides information about the results of previous decisions which provides decision makers with feedback that can be used in future decision making.

27- A strategic position is important to the success and growth of any organization. Harvard professor Michael Porter has identified two basic business strategies. Which statement below is \textit{false} regarding these basic strategies?  
a- A product differentiation strategy entails adding features or services not provided by competitors to a product so customers can be charged a premium price.  
b- A low-cost strategy entails striving to be the most efficient producer of a product or service.  
c- Sometimes a company can succeed in both producing a better product and achieving low costs.  
d- The two basic strategic positions are mutually exclusive.

28- A variety-based strategic position involves  
a- trying to serve most or all of the needs of a particular group of customers.  
b- serving a subset of customers who differ from other customers.  
c- providing a subset of the industry's products or services.  
d- serving all needs of all customers.

29- An access-based strategic position involves  
a- trying to serve most or all of the needs of a particular group of customers.  
b- serving a subset of customers who differ from other customers.  
c- providing a subset of the industry's products or services.  
d- serving all needs of all customers.

30- An agreement between two entities to exchange goods or services or any other event that can be measured in economic terms by an organization is  
a- give-get exchange  
b- transaction  
c- revenue  
d- processing cycle

31- The transaction cycles approach leads to efficient processing of large number of transactions because  
a- transaction cycles are easier to computerize.  
b- a large number of transactions within a given cycle can be categorized into a relatively small number of distinct types.  
c- the transaction cycle approach represents the natural order of business.
32- What is the major difference between the revenue and the expenditure cycle?
   a- The revenue cycle includes marketing activities; the expenditure cycle does not.
   b- In the revenue cycle, cash is received; in the expenditure cycle cash is paid out.
   c- The expenditure cycle includes paying employees.
   d- The revenue cycle includes the activity of obtaining funds from investors.

33- Which of the following is not a transaction cycle?
   a- revenue
   b- expenditure
   c- human resources
   d- general ledger and reporting

34- Transaction cycles can be summarized on a high level as "give-get" transactions. An example of "give-get" in the expenditure cycle would be
   a- give cash, get cash.
   b- give cash, get goods.
   c- give cash, get labor.
   d- give goods, get cash.

35- The transaction cycles relate to one another and interface with this to generate information for both management and external parties.
   a- general ledger and reporting system
   b- accounting information systems
   c- computer processor
   d- human resources cycle

36- Which of the following statements is false?
   a- Retail stores do not have a production cycle.
   b- Financial institutions have installment-loan cycles.
   c- A service company does not have an inventory system.
   d- Every organization should implement every transaction cycle module.

37- One of the steps in the data processing cycle is data input. What is the catalyst for data input into a system?
   a- The production transaction system automatically checks each hour to see if any new data is available for input and processing.
   b- The performance of some business activity generally serves as the trigger for data input.
   c- A general ledger program is queried to produce a trial balance at the end of an accounting period.
   d- Data is only input when an authorized party permits the input to occur.

38- Which step below is not considered to be part of the data processing cycle?
   a- data input
b- feedback from external sources

c- data storage

d- data processing

39- Certain documents or forms are generated and/or processed with each transaction cycle. The issuing of a purchase order is part of which transaction cycle?
a- the revenue cycle
b- the production cycle
c- the human resources cycle
d- the expenditure cycle

40- Common source documents for the revenue cycle include all of the following except
a- sales order.
b- receiving report.
c- delivery ticket.
d- credit memo.

41- Businesses usually use some type of documents in the data input step of the data processing cycle. Documents that are sent to customers or suppliers and then sent back to the organization in the course of a business transaction are known as
a- turnaround documents.
b- source documents.
c- source data automation.
d- rubber or bounce-back documents.

42- Pre-numbering of source documents helps to verify that
a- all transactions have been recorded since the numerical sequence serves as a control.
b- no inventory has been misplaced.
c- documents have been used in order.
d- all cash has been collected.

43- When the sum of all entries in the subsidiary ledger equals the amount in the corresponding general ledger account, it is assumed that (select all that apply)
a- the recording and posting processes are accurate.
b- all of the transaction cycles have been completed.
c- since the ledgers are in balance, adjusting entries are not required.
d- no errors exist in the subsidiary ledger and corresponding general ledger account.

44- The systematic assignment of numbers or letters to items to classify and organize them is known as
a- coding
b- chart of accounts
c- data input
d- pre-numbered documents
45- A chart of accounts is an example of (select all that apply)
   a- sequence codes
   b- block codes
   c- group codes
   d- hierarchical codes

46- A listing of general ledger accounts by account number is called the
   a- chart of accounts.
   b- listing of accounts.
   c- trial balance.
   d- subsidiary accounts.

47- To be effective, the chart of accounts must
   a- be as concise as possible.
   b- contain only five account categories.
   c- limit account codes to 10 digits or less.
   d- contain sufficient detail to meet the information needs of the specific organization's AIS.

48- The chart of accounts of a corporate retail bookstore would probably include
   a- work-in-process inventory.
   b- a drawing account.
   c- retained earnings.
   d- both A and C

49- In transaction processing, generally which activity comes first?
   a- recording data in a journal
   b- posting items to special journals
   c- capturing data on source documents
   d- posting data to a ledger

50- A general journal
   a- is used to record infrequent or non-routine transactions.
   b- simplifies the process of recording large numbers of repetitive transactions.
   c- records all detailed data for any general ledger account that has individual sub-accounts.
   d- contains summary-level data for every account of the organization.

51- A subsidiary ledger
   a- is used to record infrequent or non-routine transactions.
   b- simplifies the process of recoding large numbers of repetitive transactions.
   c- records all detailed data for any general ledger account that has individual sub-accounts.
   d- contains summary-level data for every account of the organization.

52- An audit trail
   a- provides the means to check the accuracy and validity of ledger postings.
   b- is provided by the ledger and the general journal.
c- is automatically created in every computer-based information system.
d- is a characteristic of interest.

53- Characteristics of interest that need to be stored are
a- attribute
b- database
c- entity
d- record

54- Related records grouped together form a(n)
a- field.
b- entity.
c- file.
d- database.

55- Concerning a master file, which of the following statements is false?
a- It is conceptually similar to a ledger in a manual AIS.
b- It stores cumulative information about an organization's resources.
c- It exists across fiscal periods.
d- Its individual records are not changed.

56- Which of the following is conceptually similar to a journal in a manual AIS?
a- database
b- master file
c- record
d- transaction file

57- Periodic updating of the data stored about resources and agents is
a- On-line processing
b- real-time processing
c- batch processing
d- data processing

58- Federal Express stated in one of its mission statements that "positive control of each package will be maintained by utilizing . . . electronic tracking and tracing systems." This is an example of which type of data processing?
a- real-time processing which features immediate updating as to the location of packages
b- batch processing which features updating at fixed time periods
c- real-time processing which features updating at fixed time periods such as at the end of an accounting period
d- batch processing which features immediate updating as to the location of packages

59- Which of the following is not a type of report provided to decision makers by the typical AIS?
a- financial statements
b- customer satisfaction surveys conducted by third parties

c- managerial reports

d- All of the above reports are important to decision makers.

60- A formal expression of goals and objectives in financial terms is called a(n)
a- mission statement.
b- strategic plan.
c- budget.
d- operational plan.

61- Identify an example of external source data that is important to an organization.
a- customer satisfaction as gauged by surveys
b- staff salaries as a percentage of sales
c- satisfaction of employees with their work environment
d- sales revenue divided by the number of hours worked by the sales staff

62- Performance reports are primarily used for
a- financial control.
b- cash planning.
c- forecasting.
d- financial planning.

63- Variances to the budget should be interpreted by using the principle of
a- management by exception.
b- management by objectives.
c- management by exemption.
d- exceptions to variances.

64- Which managerial tool below is used to provide the organization with financial control?
a- a cash budget
b- a performance report
c- a sales budget
d- a customer satisfaction survey

The Second Question (36 Marks):
1- Define the concept of a system (2 marks).

..................................................................................................................
2. Define an accounting information system (3 marks).

3. Harvard professor Michael Porter contends that for a company to be successful in the long run it "must deliver greater value to customers or create comparable value at a lower cost, or do both" and suggests three strategic positions. Describe these strategic positions. How do these strategic positions relate to financial and managerial accounting information given? (6 marks)

4. Name the primary activities of a firm's value chain (3 marks).

5. Discuss the seven characteristics of useful information (14 marks).
6- Name the major transaction cycles (3 marks).

7- Describe the basic business activities and transactions for a typical merchandising company (5 marks).

With My Best Wishes
Contemporary Accounting Issues
Time: 3 Hours

Fourth Year
January 21, 2013

Answer the following questions:

Question One (30 marks):
Trudie Company’s home office shipments of merchandise to its Savoy Branch at 140% of home office cost. During 2012, the first year of operation, Trudie’s home office shipped merchandise to Savoy Branch that cost $110,000. Sales by the branch were $80,000 that was billed by the home office at $70,000, and branch operating expenses were $16,500, all for cash. Both the home office and the branch use the perpetual inventory system. Equipment was acquired by Savoy Branch on July 1, 2012 for L.E.50,000 cash, to be carried in the home office accounting records, and depreciated at 20% annually. Operating expenses incurred by the home office and charged to Savoy Branch totalled $2,000. Home office’s Accounts receivable of $90,000 were collected by Savoy Branch.

Instructions:
(a) Prepare journal entries for Savoy Branch and the home office of Trudie, Inc., to record the foregoing transactions and events and adjusting and closing entries on December 31, 2012.
(b) Prepare the reciprocal ledger accounts in both the home office and Savoy Branch records.

Question Two (35 marks):
The balance sheets of the constituent companies involved in a statutory consolidation on December 31, 2012 were as follows:

<table>
<thead>
<tr>
<th>QENA CORPORATION AND SOHAG COMPANY</th>
<th>Separate Balance Sheets (prior to business combination)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>December 31, 2012</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Assets</th>
<th>Qena Corporation</th>
<th>Sohag Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets</td>
<td>$ 600,000</td>
<td>$ 400,000</td>
</tr>
<tr>
<td>Plant assets (net)</td>
<td>1,800,000</td>
<td>1,200,000</td>
</tr>
<tr>
<td>Other assets</td>
<td>400,000</td>
<td>300,000</td>
</tr>
<tr>
<td>Total assets</td>
<td>$ 2,800,000</td>
<td>$ 1,900,000</td>
</tr>
</tbody>
</table>

A.A. Raw
**Liabilities and Stockholders' Equity**

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Current liabilities</td>
<td>$400,000</td>
<td>$300,000</td>
</tr>
<tr>
<td>Long-term debt</td>
<td>$500,000</td>
<td>$200,000</td>
</tr>
<tr>
<td>Common stock, $10 par</td>
<td>$430,000</td>
<td>$620,000</td>
</tr>
<tr>
<td>Additional paid-in capital</td>
<td>$300,000</td>
<td>$400,000</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>$1,170,000</td>
<td>$380,000</td>
</tr>
<tr>
<td><strong>Total liabilities and stockholders' equity</strong></td>
<td><strong>$2,800,000</strong></td>
<td><strong>$1,900,000</strong></td>
</tr>
</tbody>
</table>

The current fair values of both companies' liabilities were equal to carrying amounts. Current fair values of identifiable assets were as follows for Qena and Sohag, respectively: current assets, $800,000 and $500,000; plant assets, $2,000,000 and $1,400,000; other assets, $500,000 and $400,000.

On December 31, 2012, in a statutory consolidation approved by stockholders of both constituent companies, a new corporation, South Valley, issued 148,000 shares of no-par, no-stated-value common stock with an agreed value of $30 a share, based on the valuation assigned by the negotiating directors to the two constituent companies' identifiable net assets and goodwill (net assets + goodwill of $180,000 for Qena and net assets + goodwill of $60,000 for Sohag).

Out-of-pocket costs of the statutory consolidation paid by South Valley Corporation to consummate business combination amounted to $150,000, of which were $100,000 for accounting, legal and finder fees related to business combination. The remaining amount were for Stock of Exchange registration statement of South Valley common stock.

**Instructions**

After determining the combinator company in the business combination, you are required to:

a) Prepare journal entries for new corporation for statutory consolidation.


---

**Question Three (35 marks):**

On January 31, 2012, Cairo Corporation issued 20,000 shares of its $2 par common stock (current fair value $10 a share) for all 5,000 shares of Alexandria Company's outstanding common stock. Out-of-pocket costs of the business combination, paid by **Alexandria** on January 31, 2012, were as follows:

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Finder's and legal fees relating to business combination</td>
<td>$20,000</td>
</tr>
<tr>
<td>Costs associated with SEC registration statement</td>
<td>$10,000</td>
</tr>
<tr>
<td><strong>Total out-of-pocket costs of business combination</strong></td>
<td><strong>$30,000</strong></td>
</tr>
</tbody>
</table>

---

A. A. Rawi
Separate balance sheets of Cairo and Alexandria on January 31, 2012, prior to the business combination, were as follows:

**CAIRO CORPORATION AND ALEXANDRIA COMPANY**

Separate Balance Sheets (prior to business combination)

**January 31, 2012**

<table>
<thead>
<tr>
<th>Assets</th>
<th>Cairo Corporation</th>
<th>Alexandria Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets</td>
<td>$800,000</td>
<td>$150,000</td>
</tr>
<tr>
<td>Plant assets (net)</td>
<td>2,400,000</td>
<td>300,000</td>
</tr>
<tr>
<td>Goodwill</td>
<td>3,200,000</td>
<td>20,000</td>
</tr>
<tr>
<td>Total assets</td>
<td>$3,200,000</td>
<td>$470,000</td>
</tr>
</tbody>
</table>

**Liabilities and Stockholders’ Equity**

<table>
<thead>
<tr>
<th></th>
<th>Cairo Corporation</th>
<th>Alexandria Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current liabilities</td>
<td>$400,000</td>
<td>$120,000</td>
</tr>
<tr>
<td>Long-term debt</td>
<td>1,000,000</td>
<td>200,000</td>
</tr>
<tr>
<td>Common stock, $2 par</td>
<td>800,000</td>
<td></td>
</tr>
<tr>
<td>Common stock, $5</td>
<td></td>
<td>25,000</td>
</tr>
<tr>
<td>Additional paid-in capital</td>
<td>400,000</td>
<td>50,000</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>600,000</td>
<td>75,000</td>
</tr>
<tr>
<td>Total liabilities and stockholders’ equity</td>
<td>$3,200,000</td>
<td>$470,000</td>
</tr>
</tbody>
</table>

Current fair values of Alexandria’s identifiable net assets that different from their carrying amounts on January 31, 2012, were:

<table>
<thead>
<tr>
<th></th>
<th>Carrying Amounts</th>
<th>Current Fair Values</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inventories</td>
<td>$60,000</td>
<td>$65,000</td>
</tr>
<tr>
<td>Plant assets (net)</td>
<td>300,000</td>
<td>340,000</td>
</tr>
<tr>
<td>Long-term debt</td>
<td>200,000</td>
<td>190,000</td>
</tr>
</tbody>
</table>

**Instructions**


**Best Wishes**

*Ali Abdelkarim Rawy*

---

*3-

A.A. Rawy*
The First Question (20 Marks):
A- Indicate which of the following is true or false and correct the false statement.
1- Because of the application of the cash basis and the modified cash basis, depreciation is not considered as an item of expenditures in the governmental current budget.
2- "Appropriations" represent expenses allocated to governmental units.
3- Sovereign revenues are resources that are dictated by the power of the state like taxes.
4- The budget proposed by the Ministerial Council is then presented to the People's Council for discussion and approval.
5- In preparing the governmental budget, current expenditures are first grouped into chapters then chapters are divided into principal groups, which are divided into sub-groups called items.
6- Since governmental units do not aim at profit, no matching is made in the accounting system between revenues and expenses.
7- There are several methods to achieve budget flexibility, one of which is transforming appropriations from items with surplus to items with deficit, or from one entity to another.
8- The governmental accounting system is designed to abide with the generally accepted accounting principles for preparing financial statements.
9- One of differences between governmental and private accounting systems is that inventories are not considered at all in the governmental accounting system, while they are considered as an important asset item in private accounting financial statements.
10- The revenues and expenditures of the local governmental units are not included in the State's general budget.

B- Compare between private and governmental accounting systems (10 Marks)

The Second Question (20 Marks):
The following are the assessments of the current year, the legal amendments, and the new amendments proposed by one of the governmental units for the financial year 2012/2013 (amounts in thousands L.E. All amendments represent increases):

<table>
<thead>
<tr>
<th>Items</th>
<th>Current Year Assessments</th>
<th>Legal Amendments</th>
<th>New Proposed Amendments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Permenant jobs</td>
<td>800</td>
<td>50</td>
<td>100</td>
</tr>
<tr>
<td>Water, lighting, &amp; electricity</td>
<td>200</td>
<td>50</td>
<td>50</td>
</tr>
<tr>
<td>Sabbatical leaves costs</td>
<td>100</td>
<td>20</td>
<td>30</td>
</tr>
<tr>
<td>Fuel and oils</td>
<td>50</td>
<td>20</td>
<td>20</td>
</tr>
<tr>
<td>Maintenance expenditures</td>
<td>300</td>
<td>150</td>
<td>100</td>
</tr>
<tr>
<td>Bonuses</td>
<td>250</td>
<td>80</td>
<td>70</td>
</tr>
<tr>
<td>Stationary &amp; books</td>
<td>70</td>
<td>20</td>
<td>30</td>
</tr>
<tr>
<td>Advertising and publicity</td>
<td>40</td>
<td>10</td>
<td>40</td>
</tr>
<tr>
<td>Fiscal stamps</td>
<td>30</td>
<td>30</td>
<td>20</td>
</tr>
</tbody>
</table>
Tax on corporate profits  500  200  100
Spare parts and supplies  80  30  40
Current transfers  300  100  100
Service revenues  700  200  300
Raw materials  350  200  150
Cash benefits  450  150  250

Required: Knowing that the Ministry of Finance approval all new revenue, expense, and transfer amendments by the unit, except for the expenditures of Chapter One for which only 80% of the new amendments are approved by the Ministry. Prepare the current budget for the unit for the year 2012/2013 in good form, using the required structure of the governmental budget.

**The Third Question (20 Marks):**
The following are the current budget items of utilizations and resources (or revenues) for the current year 2011/2012 and the proposed amendments for the next year 2012/2013, that are related to the units of administrative body, and local government units (amounts in millions). The proposed amendments are approved by the Ministry of Finance.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Units of Administrative Body:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wages, Allowances, and Benefits</td>
<td>2000</td>
<td>+500</td>
<td>+200</td>
</tr>
<tr>
<td>Current Expenditures</td>
<td>4000</td>
<td>+300</td>
<td>+100</td>
</tr>
<tr>
<td>Current Transfers</td>
<td>3000</td>
<td>+200</td>
<td>0</td>
</tr>
<tr>
<td>Sovereign Revenues</td>
<td>5000</td>
<td>+600</td>
<td>+500</td>
</tr>
<tr>
<td>Services Revenues</td>
<td>4000</td>
<td>+400</td>
<td>-200</td>
</tr>
<tr>
<td><strong>Units of Local Government:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wages, Allowances, and Benefits</td>
<td>2500</td>
<td>+100</td>
<td>+50</td>
</tr>
<tr>
<td>Current Expenditures</td>
<td>1500</td>
<td>+250</td>
<td>-100</td>
</tr>
<tr>
<td>Current Transfers</td>
<td>1000</td>
<td>+50</td>
<td>-200</td>
</tr>
<tr>
<td>Sovereign Revenues</td>
<td>2000</td>
<td>+300</td>
<td>+150</td>
</tr>
<tr>
<td>Services Revenues</td>
<td>3000</td>
<td>+100</td>
<td>-400</td>
</tr>
</tbody>
</table>

Required:
1- Prepare the current budget for each of the Administrative Units and the Local Units for the year 2012/2013.
2- Prepare the State’s overall current budget for the year 2012/2013.

**The Fourth Question (18 Marks):**
Following are the data related to the investment budget of a governmental unit (amounts in thousands of L.E.):

<table>
<thead>
<tr>
<th></th>
<th>Current Year Ass. 2011/2012</th>
<th>Budget Year Est. 2012/2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital transfer revenues</td>
<td>120</td>
<td>100</td>
</tr>
<tr>
<td>New projects</td>
<td>300</td>
<td>340</td>
</tr>
</tbody>
</table>
The First Question (25 Marks):
Select the correct answer for each of the following question:
1- The systems concept is
a- the set of equipment, programs, data, procedures and people used to process information.
b- combining previously separated subsystems.
c- used in systems development, changes in subsystems cannot be made without considering the
effect another subsystems and the system as a whole.

2- Which of the following statements is false?
a- The value of information is the cost of producing information minus the benefit produced by
the information.
b- A major benefit of information is a reduction of uncertainty, improved decisions, and a better
ability to plan and schedule activities.
c- Determining the value of information is not easy.

3- Which of the following is not a means by which information improves decision making?
a- Increasing information overload.
b- Reducing uncertainty.
c- Identifying situations requiring management action.

4- All of the following are characteristics of information except
a- verifiable.
b- inexpensive.
c- accessible.

5- It is important that you study accounting information systems because
a- you will most likely use an AIS in your job.
b- AIS is a fundamental part of accounting education.
c- all of the above.

6- A firm, its suppliers, and its customers collectively form which of the following?
a- Supply chain.
b- Value chain.
c- ERP system.

7- All of the following are primary activities in the value chain except:
a- operations.
b- purchasing.
c- marketing and sales.

8- In the value chain concept, upgrading it is considered what kind of activity?
a- Primary activity.
b- Service activity.
c- Support activity.

9- Lower-level management employees are most likely to make which of the following decisions?
   a- Structured decisions involving strategic planning.
   b- Structured decisions involving operational control.
   c- Unstructured decisions involving managerial control.

10- Top management is most likely to face:
   a- unstructured decisions involving management control.
   b- unstructured decisions involving operational control.
   c- unstructured decisions involving strategic planning.

11- All of the following are examples of management control except:
   a- developing human resource practices.
   b- deciding on research projects and product improvements.
   c- developing new product lines.

12- A company that focuses its marketing efforts on a specific subset of the population (e.g. college students) is probably pursuing which type of strategic position?
   a- Variety-based.
   b- Access-based.
   c- Needs-based.

13- All of the following are examples of unstructured decisions except:
   a- choosing the cover for a magazine.
   b- hiring senior management.
   c- setting a marketing budget for a new product.

14- Which transaction cycle includes interactions between an organization and its lenders and owners?
   a- Expenditure cycle.
   b- Production cycle.
   c- Financing cycle.

15- All of the following are major activities in revenue cycle except:
   a- take customer orders and enter them into the AIS.
   b- receive customer payments and deposit them in the bank.
   c- receive vendor invoices.

16- All of the following are major activities in human resources / payroll cycle except
   a- recruit, hire, and train new employees.
   b- collect, and validate time, and commission data.
   c- update sales and account receivable.
17- All of the following are numbers of actions can be taken to improve the accuracy and efficiency of data input except:
   a- well designed source documents and data screens.
   b- turnaround documents.
   c- coding techniques.

18- Which of the following is most likely to be a general ledger control account?
   a- Account receivable.
   b- Petty cash.
   c- Retained earnings.

19- The files used to store cumulative information are called
   a- journals.
   b- ledgers.
   c- master files.

20- Which of the following is the most useful for projecting the need for short-term borrowing?
   a- Income statement.
   b- Balance sheet.
   c- Cash budget.

21- All of the following are the guide lines that will result in a better coding system except
   a- make sure the code allows for growth in the number of items to be coded.
   b- make the coding system as complex in order to maximize costs.
   c- make sure the coding system is consistent with the company's organization structure.

22- Recording and processing information about a transaction at the time it takes place is referred to as which of the following?
   a- Batch processing
   b- Captured transaction processing.
   c- Online, real-time processing.

23- Transaction data are first captured and recorded on
   a- specialized journals.
   b- subsidiary ledgers.
   c- source documents.

24- All of the following are forms of information output except
   a- a file
   b- a document.
   c- a report.

25- All of the following examples of specialized journal except
   a- cash receipt.
   b- cash disbursements.
   c- closing entries.
The Second Question (25 Marks):
Indicate whether each of the following is true (T) or false (F) and correct the false statement.

<table>
<thead>
<tr>
<th></th>
<th>Statement</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Goal conflict is achieved when a subsystem achieves its goals while contributing to the organization's overall goal</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>A system is a set of two or more interrelated components that interact to achieve a goal</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>At some point people reach a state of information overload, where additional information cannot be used efficiently and has little or no marginal value</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>An accounting information system processes data and transactions to provide users with the necessary information for planning, controlling, and operating their organizations</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>The function of an AIS is to provide inadequate controls to safeguard the organization's assets, including its data to ensure that the assets and data are available when needed</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Information is understandable if it is available to users when they need it and in a format they can use</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Information is a verifiable if two knowledgeable people acting independently would each produce the same information</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Outbound logistics activities in a value chain consists of receiving, storing, and distributing the materials an organization uses to create the services and products it sells</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Operation activities in a value chain transform inputs into final products or services</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Improving decision making is not example of how an AIS can add value to an organization</td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>A well-designed AIS can make it easier to share knowledge and expertise, perhaps thereby improving operations and even providing a competitive advantage</td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>A variety-based strategic position involves producing or providing a subset of the industry's products or services</td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>Management control relates to the effective and efficiency use of resources for accomplishing organizational objectives</td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>The process that beings with capturing transaction data and ends with an informational output such as financial statement is called data processing</td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>Well-designed paper forms and data entry screens improve accuracy and completeness of data storage by</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>---</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>16</td>
<td>Audit trial is the systematic assignment of numbers or letters to items to classify and organize them</td>
<td></td>
</tr>
<tr>
<td>17</td>
<td>A block code are items numbered consecutively to ensure that there will be no gaps in the sequence</td>
<td></td>
</tr>
<tr>
<td>18</td>
<td>A general journal is used to simplify the process of recording large numbers of repetitive transactions</td>
<td></td>
</tr>
<tr>
<td>19</td>
<td>A record is the set of files that contain data about various attributes of the same entity forms</td>
<td></td>
</tr>
<tr>
<td>20</td>
<td>The expenditure cycle involves the transformation of raw material into finished goods</td>
<td></td>
</tr>
<tr>
<td>21</td>
<td>Batch processing involves processing transactions in groups or batches all at the same time</td>
<td></td>
</tr>
<tr>
<td>22</td>
<td>Reports are prepared only for external users to evaluate company profitability and to judge credit worthiness</td>
<td></td>
</tr>
<tr>
<td>23</td>
<td>A master file is a file that contains records of individual transactions (events) that occur during a fiscal period</td>
<td></td>
</tr>
<tr>
<td>24</td>
<td>Enterprise resources planning systems are designed to integrate all aspects of a company's operations (including both financial and non-financial information) with the traditional functions of an AIS</td>
<td></td>
</tr>
<tr>
<td>25</td>
<td>Queries are used by employees to control operational activities and by managers to make decisions and designed strategies</td>
<td></td>
</tr>
</tbody>
</table>

**The Third Question (14 Marks):**

Match the description listed in the right column with the information characteristic in the left column.

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Relevant</td>
<td>A</td>
</tr>
<tr>
<td>2</td>
<td>Reliable</td>
<td>B</td>
</tr>
<tr>
<td>3</td>
<td>Complete</td>
<td>C</td>
</tr>
<tr>
<td>4</td>
<td>Timely</td>
<td>D</td>
</tr>
<tr>
<td>5</td>
<td>Understandable</td>
<td>E</td>
</tr>
<tr>
<td>6</td>
<td>Verifiable</td>
<td>F</td>
</tr>
<tr>
<td>7</td>
<td>Accessible</td>
<td>G</td>
</tr>
</tbody>
</table>
The Fourth Question (24 Marks)
Classify each of the following items as belonging in the revenue, expenditure, human resources/payroll, production, or financing cycle

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Purchase raw materials</td>
</tr>
<tr>
<td>2</td>
<td>Pay off mortgage on a factory</td>
</tr>
<tr>
<td>3</td>
<td>Hire a new assistant controller</td>
</tr>
<tr>
<td>4</td>
<td>Establish a $10,000 credit limit for customer XYZ Company</td>
</tr>
<tr>
<td>5</td>
<td>Pay for raw material</td>
</tr>
<tr>
<td>6</td>
<td>Disburse payroll checks to factory workers</td>
</tr>
<tr>
<td>7</td>
<td>Record goods received from vendor</td>
</tr>
<tr>
<td>8</td>
<td>Update the allowance for doubtful accounts</td>
</tr>
<tr>
<td>9</td>
<td>Decide how many units to make next month</td>
</tr>
<tr>
<td>10</td>
<td>Complete picking ticket for goods ordered by a customer</td>
</tr>
<tr>
<td>11</td>
<td>Record factory employee timecards</td>
</tr>
<tr>
<td>12</td>
<td>Sell concert tickets</td>
</tr>
<tr>
<td>13</td>
<td>Draw on line of credit</td>
</tr>
<tr>
<td>14</td>
<td>Send new employees to a business ethics course</td>
</tr>
<tr>
<td>15</td>
<td>Pay utility bills</td>
</tr>
<tr>
<td>16</td>
<td>Pay property taxes on office building</td>
</tr>
<tr>
<td>17</td>
<td>Pay federal payroll taxes</td>
</tr>
<tr>
<td>18</td>
<td>Sell DVD player</td>
</tr>
<tr>
<td>19</td>
<td>Collect payment on customer accounts</td>
</tr>
<tr>
<td>20</td>
<td>Obtain a bank loan</td>
</tr>
<tr>
<td>21</td>
<td>Pay sales commission</td>
</tr>
<tr>
<td>22</td>
<td>Send an order to a vendor</td>
</tr>
<tr>
<td>23</td>
<td>Put purchased goods into the warehouse</td>
</tr>
<tr>
<td>24</td>
<td>Buy new machine cash</td>
</tr>
</tbody>
</table>

The Fifth Question (12 Marks):
Identify whether the following transactions belong in a master file or a transaction file.

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Update customer address change</td>
</tr>
<tr>
<td>2</td>
<td>Update unit pricing information</td>
</tr>
<tr>
<td>3</td>
<td>Record daily sales</td>
</tr>
<tr>
<td>4</td>
<td>Record payroll checks</td>
</tr>
<tr>
<td>5</td>
<td>Change employee pay rates</td>
</tr>
<tr>
<td>6</td>
<td>Record production run variances</td>
</tr>
<tr>
<td>7</td>
<td>Record sales commissions</td>
</tr>
<tr>
<td>8</td>
<td>Change employee office location</td>
</tr>
<tr>
<td>9</td>
<td>Update accounts payable balance</td>
</tr>
<tr>
<td>10</td>
<td>Update accounts receivable balance</td>
</tr>
<tr>
<td>11</td>
<td>Change vendor payment discount terms</td>
</tr>
<tr>
<td>12</td>
<td>Record purchases</td>
</tr>
</tbody>
</table>

With My Best Wishes
Use the diagram Presentation and mathematical equation your answer the following questions if it is necessary

Fristly: Answer only one for the following two questions

Question no. 1:
(A) "Explain the origin of profit and analyse The relation between wages, capital and surplus value, according to Marxian theory":
(B) "There are circular relationships known as the vicious circles of poverty that tend to perpetuate the Low Level of development in LDCs" Discuss.

Question no. 2:
(A) Represent the structural – change approach are the "two – sector surplus labor" theoretical Model of W. Arthur – Lewis".
(B) "the Keynesian concept of multiplier is based on group of assumptions". Discuss the relevance these assumptions to apply the multiplier theory on underdeveloped countries.

Secondly: Answer the following questions.

Question no. 3:
(A) Circle whether the following statements are true (T) or false (f).
1- Marx believes that technological progress tends to decrease the organic composition of capital
2- Forced saving are savings brought about through involuntary reductions in consumption.
3- In the Keynesian theory total income is a function of total employment In a country.
4- The nature of unemployment in an underdeveloped country is chronic rather than cyclical.
5- According to Keynes there is positive relationship between investment and marginal efficiency of capital.
6- According to Marxian theory 'Capitalism leads the proletarian revolution where by the dictatorship Of the proletarian is established.'
7- In Lewis model the real rural wage is determined by the marginal and not average product of labor.
8- In Lewis model the level of wages in urban industrial is assumed to be constant.
9- The Keynesian approach rejects the idea that saving determines investment and argues instead that the encouragement of investment will generate its own saving.
10- The materialistic interpretation of history attempts to show that all historical events are the result of a continuous economic struggle between different classes and groups in society.

(B) Circle the appropriate answer:
1- In the Keynesian financial model the actual growth of capital is a (linear – nonlinear) combination of planned saving and planned investment.
2- The propensity to save out of wages (s_w) plus the propensity to save out of profits (s_p) must equal (one – less than one – more than one)
3- The Keynesian economics is (Long – short) period analysis.
4- The Keynesian theory is based on the Existence of (disguised – chronic – Cyclical) unemployment which occurs during a depression.
5- In an underdeveloped economy the propensity to consume is very (Low – high)
   And the propensity to savings are almost (negative – zero – negligible)
6- At Marxian theory, capital accumulation and concentration involve increase (constant – variable) capital and decline in (constant – variable) capital
7- The principle of marginal productivity telles that where the (Ratio – Average) Of capital to Other factors is Low the marginal productivity of capital is (Low – high)
(C) write the economist's name which who used the following expression.
1- From each individual will contribute to national income according to his abilities and receive according to his needs.
2- Investment generates its own saving through increases in output and profits.
3- 'Anti-developmental' economic growth.
4- Effective demand.
5- saving adjust to the desired level of investment through a rise in the share of profits in national income.

Question no. 4: 30 Mark
(A) present the Harrod – Domar model for growth and illustrate why it is not a dynamic model.
(B) suppose that following values for Harrod Domar model
V = 8 u = 16 s = %40 K₀ = 40 L₀ = 80 n = 0.05
- Calculate the real value for all (L) – (K) – (y) and equilibrium case for both (0, 1) periods.
- Calculate the real value for all (Lₜ) (Kₜ) (yₜ) and equilibrium case If n become = 0.04
(C) use kaldor's saving function to adjust disequilibrium in above Stage if the
Sₚ = 0.47 , Sₜ = 0.07

Question no. 5: 25 Mark
(A) suppose you have the following production function on Consumption good sector
Q = 2 AN – 4 BN²
Where (Q) is the quantity of production, (N) the labor, 2 A , 4B are constants. If the quantity of capital (K) constant. Illustrate by details the potential conflict between employment and saving in this sector for the following case
- if the labor wage constant and equal (W)
- if the Sₚ = 0.4 Sₜ = 0.02
(B) suppose you have the following Data ,
I = 20 K = 100 S = 10 \( \frac{\Delta P}{P} \%20 \lambda = 0.6 \lambda = 1 \), Sₚ = 0.4 Sₜ = 0.05
- Calculate \( \frac{\Delta Y}{Y} \) according to keynsian approach
- Calculate \( \frac{\Delta Y}{Y} \) according to kaldor's approach

Good luck.....
Dr. Gamal I.Hassan
Answer all of the following Questions:

Q 1: Select the correct answer for each of the following: (30 marks)

1- Permanent working capital:
   a. Varies with seasonal needs.
   b. Includes fixed assets.
   c. Is the amount of current assets required to meet a firm's long-term minimum needs.
   d. Includes accounts payable

2- Which of the following would be consistent with a conservative approach to financing working capital?
   b. Financing short-term needs with long-term debt
   c. Financing seasonal needs with short-term funds.
   d. Financing some long-term needs with short-term funds

3- Other things held constant, which of the following will not affect the quick ratio? (Assume that current assets equal current liabilities and inventory has a positive balance.)
   a. fixed assets are sold for cash
   b. cash is used to purchase inventories
   c. accounts receivable are collected
   d. long-term debt is issued to pay off a short-term loan

4- The examination of ratios over time is called:
   a. cash flow estimation  c. trend analysis
   b. capital expenditure  d. flotation cost

5- Advantages of Equity Shares include all of the followings except:
   a. voting right  c. less cost of capital
   b. Fixed rate of return  d. retained earnings.

6- Which one of the following is not a definition of capitalization?
   a. Capitalization refers to the process of determining the quantum of funds that a firm needs to run its business.
   b. Capitalization is only the par value of share capital and debenture.
   c. It does not include reserve and surplus.
   d. It includes accounts payable

7- Watered capital means that:
   a. Capital is not seen by investors.
   b. The realizable value of assets of the company is less than its book value.
   c. The shares issued are less than bonds.
   d. None of the above.

8- The NPV calculation implicitly assumes that all cash flows are reinvested at a rate of return equal to the:
   a. cost of debt
   b. cost of preferred stock
   c. internal rate of return for a project
9- The cost of capital structure depends on all of the following except:
   a. Nature of the business
   b. Size of the company
   c. Legal requirements
   d. Number of shares.

10- A profitability index of .85 for a project means that:
   a. The present value of benefits is 85% greater than the project's costs.
   b. The project's NPV is greater than zero.
   c. The project returns 85 cents in present value for each current dollar invested.
   d. The payback period is less than one year.

11- ________ have control of the firm since they have the right to elect a firm’s directors.
   a. Debtors
   b. Creditors
   c. Preferred stockholders
   d. Common stockholders

12- Which of the following statements is correct regarding profit maximization as the primary goal of the firm?
   a. Profit maximization considers the firm's risk level.
   b. Profit maximization will not lead to increasing short-term profits at the expense of lowering expected future profits.
   c. Profit maximization does consider the impact on individual shareholder's earnings per share.
   d. Profit maximization is concerned more with maximizing net income than the stock price.

13- If our cost of sales is $120,000 and our average of inventory balance is $90,000, then our inventory turnover rate is:
   a. 0.50
   b. 1.00
   c. 0.75
   d. 1.33

14- If we have cash of $1,500, accounts receivables of $25,500, inventory of $30,000 and current liabilities of $30,000 our quick or acid test ratio would be:
   a. 1.88
   b. 1.11
   c. 1.90
   d. 0.90

15- Kawther and Karima's Co. debt-to-total assets (D/TA) ratio is 0.40. What is its debt-to-equity (D/E) ratio?
   a. 0.2
   b. 0.6
   c. 0.667
   d. 0.333

QII: Answer the two following questions: (40 marks)

1- El-Dakrory, Inc.'s $100 par value preferred stock just paid its $10 per share annual dividend. The preferred stock has a current market price of $98 a share. The firm's tax rate is 40 percent and the issuing expenses are $2 per share. What is the cost of the proffered stock in this company?
2- The cash flow in respect of two projects is given below. The cost of capital is 12%, the discount factor of 16% is also given.

<table>
<thead>
<tr>
<th>Year</th>
<th>Project A</th>
<th>Project B</th>
<th>Discount Factor @ 12%</th>
<th>Discount Factor @ 16%</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>(200)</td>
<td>(300)</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>1</td>
<td>60</td>
<td>100</td>
<td>0.8929</td>
<td>0.8620</td>
</tr>
<tr>
<td>2</td>
<td>60</td>
<td>100</td>
<td>0.7972</td>
<td>0.7431</td>
</tr>
<tr>
<td>3</td>
<td>60</td>
<td>90</td>
<td>0.7118</td>
<td>0.6406</td>
</tr>
<tr>
<td>4</td>
<td>60</td>
<td>70</td>
<td>0.6355</td>
<td>0.5522</td>
</tr>
<tr>
<td>5</td>
<td>60</td>
<td>70</td>
<td>0.5674</td>
<td>0.4761</td>
</tr>
</tbody>
</table>

**Required:** Answer the following question using the above information.
1- What is the NPV of each of projects (A and B)?
2- Find the IRR for project A and project B?
3- What is profitability index of each project (A and B)?
4- Compare the results you have in each case and comment on them?

**QIII: write short notes on 3 ONLY of the following: (30 marks)**
1- Importance of financial management
2- Retained earnings as a source of finance
3- Importance of cost of capital.
4- Merits and demerits of net present value as a method of evaluating capital projects.

**Best Wishes!**
The First question:
A- Determine whether the following statements are true or false. Correct the false statements, underlining the corrected parts:
1- The governmental accounting system is designed to abide with the generally accepted accounting principles for preparing financial statements.

2- Each governmental unit should measure and classify its revenues and expenditures according to methods that suit its objectives.

3- One of the differences between governmental and private accounting systems is that inventories are not considered at all in the governmental accounting systems, while they are considered as an important asset item in private accounting financial statements.

4- Transfers should be distinguished from revenues and expenses in both governmental and private accounting.

B- Complete the following statements. Underline the added parts.
1- In governmental accounting, the matching of revenues and expenses for each unit is meaningless, but the required matching is of ........ and ........

2- Although the cash basis is mostly applied in governmental accounting, a ........ basis (that is, a mix between ash and accrual bases) is actually used in many instances.

3- Governmental accounting covers ministries and ........

4- The fiscal year of the public budget starts on ........, and ends on ........

5- There are several methods to achieve budget flexibility, one of which is ........

6- To achieve budget flexibility, financial laws in Egypt allow the possibility of transfers of expenditures ........

7- In the case of budget deficit, the balancing of the budget can be achieved either by ........ or ........ or ........

8- According to qualitative budget classification, expenditures are classified as ........ and ........

9- Programs in governmental budgeting are classified into ........ which will be subject to control and evaluation.

10- ........ represent one example of qualitative classification of revenues in the current public budget.
11- The budget forms (or specimens) prepared by .......... represent ..........

12- The ........ undertaking the budget balancing and prepares a ........ to be discussed by the Ministry Council.

13- The budget control stage includes the application of ........ and ........ control systems performed by public entities as the Accounting Central Agency and the Administrative Control Body.

C- Compare between private and governmental accounting systems?

The Second Question:
Following are the 2010/2011 assessments and the needed amendments for the budget year 2011/2012 for the items of wages and the like for a governmental unit (amounts are in thousands of Egyptian pounds):

<table>
<thead>
<tr>
<th>Description</th>
<th>Current year assessments 2010/2011</th>
<th>Legal amendments</th>
<th>Additional proposed amendment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Permanent jobs</td>
<td>1500</td>
<td>+300</td>
<td>+200</td>
</tr>
<tr>
<td>Salaries and allowances</td>
<td>1100</td>
<td>+200</td>
<td>+100</td>
</tr>
<tr>
<td>Cash benefits</td>
<td>500</td>
<td>+150</td>
<td>+150</td>
</tr>
<tr>
<td>Bounds</td>
<td>800</td>
<td>+240</td>
<td>+120</td>
</tr>
<tr>
<td>Insurance against work injuries</td>
<td>200</td>
<td>-50</td>
<td>+40</td>
</tr>
<tr>
<td>The share of the government in the insurance and pension funds</td>
<td>140</td>
<td>+80</td>
<td>+70</td>
</tr>
<tr>
<td>Costs of sabbatical leaves and training grants</td>
<td>100</td>
<td>-----</td>
<td>+30</td>
</tr>
<tr>
<td>Costs of staff meals</td>
<td>80</td>
<td>+20</td>
<td>+30</td>
</tr>
<tr>
<td>Costs of staff medical care</td>
<td>150</td>
<td>+30</td>
<td>+90</td>
</tr>
<tr>
<td>Other fringe benefits for employees</td>
<td>120</td>
<td>-40</td>
<td>+20</td>
</tr>
<tr>
<td>The share of government in the social security funds</td>
<td>250</td>
<td>+90</td>
<td>+130</td>
</tr>
<tr>
<td>Costs of insurance against sickness</td>
<td>110</td>
<td>-60</td>
<td>+20</td>
</tr>
</tbody>
</table>

The governmental unit sent the 2011/2012 budget draft to the Ministry of Finance based on the above amendments. The Ministry of Finance studied the draft and sent the following instructions to the governmental unit:

1- Approval of all legal amendments.

2- Approval of the proposed amendments for:
   - Insurance against work injuries.
   - The share of the government in the securities and pensions fund.
   - Costs of sabbatical leaves and training grants.

3- Approval of only 40% of the proposed amendments for the rest of the items.

Required:
1- Prepare the 2011/2012 budget for the governmental unit taking into consideration the Ministry of Finance instructions.
2- Compare between the budget estimates that represents the governmental unit's opinion and the approved estimates that represents the Ministry of Finance opinion.

The Third Question:
Following are expenditure and revenue assessments for year 2010/2011 and estimates for year 2011/2012 (figures in thousands of LE).

<table>
<thead>
<tr>
<th>Items</th>
<th>2010/2011 Assessments</th>
<th>2011/2012 Estimates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taxes in corporate profits</td>
<td>850</td>
<td>900</td>
</tr>
<tr>
<td>General tax on sales</td>
<td>400</td>
<td>450</td>
</tr>
<tr>
<td>Wages, allowances and cash benefits</td>
<td>1650</td>
<td>1700</td>
</tr>
<tr>
<td>Commodity requisites</td>
<td>650</td>
<td>450</td>
</tr>
<tr>
<td>Fringe benefits</td>
<td>750</td>
<td>880</td>
</tr>
<tr>
<td>Unified tax on natural persons</td>
<td>700</td>
<td>700</td>
</tr>
<tr>
<td>Fiscal stamp taxes</td>
<td>350</td>
<td>300</td>
</tr>
<tr>
<td>Custom taxes and revenues</td>
<td>400</td>
<td>500</td>
</tr>
<tr>
<td>Taxes and duties of local nature</td>
<td>500</td>
<td>550</td>
</tr>
<tr>
<td>Subsidies</td>
<td>200</td>
<td>210</td>
</tr>
<tr>
<td>Stock revenues</td>
<td>300</td>
<td>320</td>
</tr>
<tr>
<td>Royalties and duties</td>
<td>270</td>
<td>270</td>
</tr>
<tr>
<td>Current activity royalties</td>
<td>300</td>
<td>320</td>
</tr>
<tr>
<td>Sundry revenues and duties</td>
<td>200</td>
<td>220</td>
</tr>
<tr>
<td>Current revenues of local administrative units</td>
<td>600</td>
<td>640</td>
</tr>
<tr>
<td>Current transfer revenues</td>
<td>380</td>
<td>390</td>
</tr>
<tr>
<td>Government share in surplus, profits, supervisions and management counterparts</td>
<td>410</td>
<td>470</td>
</tr>
<tr>
<td>Current transfers</td>
<td>800</td>
<td>700</td>
</tr>
<tr>
<td>Insurance and security benefits</td>
<td>900</td>
<td>950</td>
</tr>
<tr>
<td>Allocation current transfers</td>
<td>600</td>
<td>540</td>
</tr>
<tr>
<td>Purchases of goods reseal</td>
<td>570</td>
<td>180</td>
</tr>
<tr>
<td>Service requisites</td>
<td>500</td>
<td>600</td>
</tr>
</tbody>
</table>

Required: Prepare the state's (over-all) current budget for the year 2011/2012

The Fourth Question:
Following are capital expenditures and revenues data for the current year 2010/2011 and the budget year 2011/2012 for one of the governmental units (amounts in thousands LE).

Data for 2011/2012 Budget:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>For completion of existing projects</td>
<td>520</td>
<td>560</td>
</tr>
<tr>
<td>For expansion and new projects</td>
<td>760</td>
<td>720</td>
</tr>
<tr>
<td>For replacements and renovations</td>
<td>600</td>
<td>700</td>
</tr>
<tr>
<td>Lending</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lending local entities</td>
<td>800</td>
<td>860</td>
</tr>
<tr>
<td>Other capital transfers</td>
<td>40</td>
<td>80</td>
</tr>
<tr>
<td>Borrowing</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
From the National Investment Bank

<table>
<thead>
<tr>
<th>Repayment of loan installments to local entities (a loan plus interest of 2,200,000 to be paid over five years starting 2010/2011)</th>
<th>740</th>
<th>720</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other Financing Instruments:</td>
<td>???</td>
<td>???</td>
</tr>
<tr>
<td>Proceeds of selling assets</td>
<td>780</td>
<td>800</td>
</tr>
<tr>
<td>Capital aids and grants</td>
<td>420</td>
<td>440</td>
</tr>
<tr>
<td>Collections of loan installments</td>
<td>480</td>
<td>400</td>
</tr>
<tr>
<td>Credit facilities</td>
<td>???</td>
<td>???</td>
</tr>
</tbody>
</table>

**Required:** Prepare the capital budget for the unit in good form, showing the following:
1. Total investment utilisations, classified according to the nature of projects (as replacement and renovation, completion, and expansions projects).
2. Total capital transfers.
3. The amount of credit facilities needed to finance investment utilisations and capital transfers.
4. Total sources of financing investment utilisations and capital transfers.

**The Fifth Question:**
The Textile Industry of the Production Sector gets raw cotton from the Agriculture Sector, converts it to cotton yarn, then to textile. The following economic data is available for these productive units in market values (figures in thousands L.E.):

<table>
<thead>
<tr>
<th>Sales &amp; factors of production</th>
<th>Raw Cotton</th>
<th>Cotton Yarn</th>
<th>Textile</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>350</td>
<td>1250</td>
<td>2950</td>
</tr>
<tr>
<td>Factors of production:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wages of employees</td>
<td>100</td>
<td>300</td>
<td>600</td>
</tr>
<tr>
<td>Rent of property</td>
<td>50</td>
<td>200</td>
<td>400</td>
</tr>
<tr>
<td>Interest on capital</td>
<td>25</td>
<td>100</td>
<td>150</td>
</tr>
</tbody>
</table>

**Required:**
1. Compute the value added for each of these productive units and the total (or overall) value added for all three productive units.
2. Present the above data in a form of an income statement for each productive unit.
3. Prepare all ledger accounts for each productive units and the consolidated production account for the three units.

With My Best Wishes
First Question:

Colchester Company uses a job order cost system to record and distribute costs. The following information was accumulated for month of June:

1. Materials purchased on account for $45000, including $38000 direct materials and the remaining indirect materials.
2. Materials issued during the month:
   - Direct materials for Job 66 $10000
   - Direct materials for job 99 $14000
   - Indirect materials $4000
3. Labour costs according to labour time cards and payroll summary were as follows:
   - Job 66: 2000 direct labour hours at a rate of $6 per hour.
   - Job 99: 1500 direct labour hours at a rate of $8 per hour.
   - Indirect labour costs were $3000.
4. Factory overhead is applied at $3 per direct labour hour.
5. Job 66 was completed before the end of June but job 99 still in process.
6. Job 66 was picked up by customer at the end of June. The total units produced were 3000 units and the total sale price was $40000, collected in cash.

Required

a. Prepare the journal entries necessary to record the above transactions.
b. Compute the manufactured cost per unit and the estimated gross profit achieved from job 66.

Second Question:

Essex Company manufactures a single product. The company uses a process cost system which involves two processing departments, A and B. In the department A, direct materials are added at the beginning of the process. In the department B, direct materials are added at the end of the process. Inspection for spoiled units occurs at the 50% stage of completion at department A and at the 80% stage of completion at department B.

For the month of June 2011, the following data are available:

<table>
<thead>
<tr>
<th>Units</th>
<th>Department A</th>
<th>Department B</th>
</tr>
</thead>
<tbody>
<tr>
<td>a- Beginning units in process</td>
<td>2500 (60%)</td>
<td>2000 (80%)</td>
</tr>
<tr>
<td>b- Units started in process</td>
<td>10500</td>
<td>??</td>
</tr>
<tr>
<td>c- Units added to production (increase)</td>
<td>-</td>
<td>1000</td>
</tr>
<tr>
<td>d- Units completed and transferred out</td>
<td>??</td>
<td>??</td>
</tr>
<tr>
<td>e- Ending units in process</td>
<td>3000 (30%)</td>
<td>2000 (60%)</td>
</tr>
<tr>
<td>f- Spoiled units: Normal</td>
<td>600</td>
<td>400</td>
</tr>
<tr>
<td>Abnormal</td>
<td>400</td>
<td>600</td>
</tr>
</tbody>
</table>
Costs

a. Costs of beginning units in process $19000 $25000
b. Costs added during the period:
   - Direct materials 63000 45000
   - Conversion costs 35600 37600

Required

Prepare a cost of production report for month of June for departments A and B using FIFO costing method.

Third Question

Liverpool Corporation is a manufacturing company that produces a single product. The company uses the weighted average costing method for both financial statements and internal management reporting.

The standard costs per unit are as follows:
- Direct materials 2 pounds at $4 per pound
- Direct labour 3 hours at $5 per hour
- Factory overhead 3 hours at $3 per hour (of which $1 is a fixed rate)

The budgeted (estimated) fixed factory overhead at normal capacity is $40000.

Data for month of June are presented below:
a. The beginning units in process were 3500 units which were 100% complete as to direct materials and 40% complete as to direct labour and factory overhead.
b. An additional 9000 units were started in process during the month.
c. The ending units in process consisted of 2500 units which were 100% complete as to direct materials and 40% complete as to direct labour and factory overhead.
d. Actual costs for June production are as follows:
   - Direct materials used (24000 actual pounds) $108000
   - Direct labour (34000 actual hours) 153000
   - Factory overhead 106000

Required

Compute and analyse the following variances:
a. Direct materials variances (total, efficiency and price variances).
b. Direct labour variances (total, efficiency and rate variances).
c. Factory overhead variances using the two-factor analysis.

Best Wishes
Contemporary Accounting Issues
Time: 3 Hours

Fourth Year
January 13, 2011

Answer the following questions:
Question One (30 marks):

Included in the accounting records of the home office and Wade Branch, respectively, of Lobo Company were the following ledger accounts for the month of January 2005:

**Investment in Wade Branch (in Home Office accounting records)**

<table>
<thead>
<tr>
<th>Date</th>
<th>Explanation</th>
<th>Debit</th>
<th>Credit</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005, Jan., 1</td>
<td>Balance</td>
<td></td>
<td></td>
<td>39,200 dr</td>
</tr>
<tr>
<td>9</td>
<td>Shipment of merchandise</td>
<td>4,000</td>
<td></td>
<td>43,200 dr</td>
</tr>
<tr>
<td>21</td>
<td>Receipt of cash</td>
<td></td>
<td>1,600</td>
<td>41,600 dr</td>
</tr>
<tr>
<td>27</td>
<td>Collection of branch trade accounts</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>receivable</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>31</td>
<td>Shipment of merchandise</td>
<td>6,000</td>
<td>1,100</td>
<td>40,500 dr</td>
</tr>
<tr>
<td>31</td>
<td>Payment of branch trade accounts</td>
<td>2,000</td>
<td></td>
<td>46,500 dr</td>
</tr>
<tr>
<td></td>
<td>payable</td>
<td></td>
<td></td>
<td>48,500 dr</td>
</tr>
</tbody>
</table>

**Home Office (in Wade Branch accounting records)**

<table>
<thead>
<tr>
<th>Date</th>
<th>Explanation</th>
<th>Debit</th>
<th>Credit</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005, Jan., 1</td>
<td>Balance</td>
<td></td>
<td></td>
<td>39,200 cr</td>
</tr>
<tr>
<td>10</td>
<td>Receipt of merchandise</td>
<td></td>
<td>4,000</td>
<td>43,200 cr</td>
</tr>
<tr>
<td>19</td>
<td>Remittance of cash</td>
<td>1,600</td>
<td></td>
<td>41,600 cr</td>
</tr>
<tr>
<td>28</td>
<td>Acquisition of furniture</td>
<td>1,200</td>
<td></td>
<td>40,400 cr</td>
</tr>
<tr>
<td>30</td>
<td>Return of merchandise</td>
<td>2,200</td>
<td></td>
<td>38,200 cr</td>
</tr>
<tr>
<td>31</td>
<td>Remittance of cash</td>
<td>2,500</td>
<td></td>
<td>35,700 cr</td>
</tr>
</tbody>
</table>

**Instructions:**

a. Prepare a working paper to reconcile the reciprocal ledger accounts of Lobo Company's home office and Wade Branch to the corrected balances on January 31, 2005.

b. Prepare journal entries on January 31, 2005, for the (1) home office and (2) Wade Branch of Lobo Company to bring the accounting records up to date. Both the home office and the branch use the perpetual inventory system.

**Question Two (30 marks):**

On October 31, 2005, Solomon Corporation issued 20,000 shares of its $1 par (current fair value $20) common stock for all the outstanding common stock of Midland company in a statutory merger. Out-of-pocket costs of the business combination paid by Solomon on October 31, 2005, were: $20,870 direct costs, $31,130 cost of registering and issuing common stock. Midland's balance sheet on October 31, 2005, follows:

\[
\text{\underline{A. A. Raw}}
\]
MIDLAND COMPANY
Balance Sheet (prior to business combination) October 31, 2005

<table>
<thead>
<tr>
<th>Inventories</th>
<th>$140,000</th>
<th>Payable to Solomon</th>
<th>$75,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other current assets</td>
<td>80,000</td>
<td>Other liabilities</td>
<td>225,000</td>
</tr>
<tr>
<td>Plant assets (net)</td>
<td>380,000</td>
<td>Common stock $3 par</td>
<td>30,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Paid-in capital</td>
<td>120,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Retained earnings</td>
<td>150,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$600,000</td>
<td><strong>Total</strong></td>
<td>$600,000</td>
</tr>
</tbody>
</table>

Additional Information
1. The current fair values of Midland’s other current assets and all its liabilities equalled the carrying amount on October 31, 2005.
2. Current fair values of Midland’s inventories and plant assets were $170,000 and $420,000 respectively, on October 31, 2005.
3. Solomon’s October 31, 2005, balance sheet included an asset entitled Receivable from Midland Company in the amount of $75,000.

Instructions: Prepare Solomon Corporation’s journal entries on October 31, 2005, to record the business combination with Midland Company.

Question Three (40 marks):
On September 30, 2005, Philly Corporation issued 100,000 shares of its no-par, no-stated-value common stock (current fair value $12 a share) for 18,800 shares of the outstanding $20 par common stock of Stype company. The $150,000 out-of-pocket costs of the business combination paid by Philly on September 30, 2005, were allocated as follows: 60% to finder’s, legal, and accounting fees directly related to the business combination; 40% to the SEC registration statement for Philly’s common stock issued in the business combination. Immediately prior to the business combination, separate balance sheets of the constituent companies were as follows:

PHILLY CORPORATION AND STYPE COMPANY
Separate Balance Sheets (prior to business combination): September 30, 2005

<table>
<thead>
<tr>
<th>Assets</th>
<th>Philly Corporation</th>
<th>Stype Company</th>
<th>Liabilities &amp; Stockholders' Equity</th>
<th>Philly Corporation</th>
<th>Stype Company</th>
<th>Current F. Val.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$200,000</td>
<td>$100,000</td>
<td>Current liabilities</td>
<td>$800,000</td>
<td>$400,000</td>
<td>90,000</td>
</tr>
<tr>
<td>Accounts R.</td>
<td>400,000</td>
<td>200,000</td>
<td>Long-term debt</td>
<td>1,200,000</td>
<td>100,000</td>
<td></td>
</tr>
<tr>
<td>Inventories</td>
<td>600,000</td>
<td>300,000</td>
<td>Common stock</td>
<td>400,000</td>
<td>700,000</td>
<td></td>
</tr>
<tr>
<td>Plant assets</td>
<td>1,300,000</td>
<td>1,000,000</td>
<td>$20 par</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Retained earnings</td>
<td>500,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$2,500,000</td>
<td>$1,600,000</td>
<td><strong>Total</strong></td>
<td>$2,500,000</td>
<td>$1,600,000</td>
<td></td>
</tr>
</tbody>
</table>

Instructions: a. Prepare journal entries for Philly Corporation on September 30, 2005, to record the business combination with Stype Company.
b. Prepare a working paper for consolidated balance sheet and related working paper elimination (in journal entry format) for Philly Corporation and subsidiary on September 30, 2005. Amounts in the working papers should reflect the journal entries in (a).

Best Wishes******

Ali Abdelkarim Rawy

A.A. Rawy
Answer the Following Questions

Question one :-

Firstly :- Complete the following space by one only ward.
"when total saving includ household and .............(1) The result is sometimes reffere to as ........(2) saving . while ........(3) saving is ...........(4) saving . The nature of saving is concerned three broad types may distinguished, ......(5) , involuntary and ........(6) from the ......(7) view ‘ The ......(8) process prior on the investment . The saving level related by ...........(9)function with the average level of ..........(10) income, the rate of ..........(11) of income.

Secondly :- write true (✓) or false (✗) with recommendation
1- The saving from the classical view is the voluntary savings
2- When the government have a budget surplus on current account his is referred to as forced saving
3- The marginal rate of saving from the wages (sw) plus the marginal rate of saving from profit (sr) allwes equal unit
4-The reverse foreign aid is that aid which bayed from receved country to mother country
5- Labor surplus is a Marxian concept and values surplus is concept for Arther Iwies

Thirdly : Circul on the right answer
1- The Harrod – Domar production function (constant – increasly – decreasly)
2- The Harrod – Domar model depend on
( there are complete subistitute – there are partial subistitute – no subistitute) between Production factors
3- Engel law conerm when income increase (increase – decrease ) the food expenditure but by relatively (more – less) than the increase income percent
4- Normaly condition eny body need minimem to ( 250 – 300 – 350 ) calories daily
5- The wage laber in traditional sector in Arther Iwies theory equal
( marginal product – average product – zero )
6- The wage constant in modern sector in Arther Iwies theory meaning the laber supply curve ( perfect elasticity – less elasticity – elasticity equal zero )
7- Leontief observe that in trade developing countries exports as
( capital intensive – laber intensive – capital saving )
8- Antidevelopment concept for ( Keynes – Arther Iwies – Marx )

G.I. Hassan
M. Ahmed
Question two:

Firstly: "To Arthur Lewis view the development process depend on infint surplus labor exit in traditional sector and big investment include this surplus in modern sector" Discuss by detail and present the criticisms about this theory.

Secondly: "The Marxian development theory depend on the many critics to the development processes under the capitalism system which it contains within itself the seeds of its own destruction" Discuss by detail and present the criticisms about this theory.

Question three:

Firstly: "Illustrate Hroad – Domar Model and explain this model components hypotheses and explain why this model is not elasticity.

Secondly: You have the following information about Hroad – Domar Model

<table>
<thead>
<tr>
<th>K</th>
<th>L</th>
<th>V</th>
</tr>
</thead>
<tbody>
<tr>
<td>80</td>
<td>240</td>
<td>10</td>
</tr>
</tbody>
</table>

- Calculate $Y_0 + Y_1 + K_1 + L_1$ and determine the model case.
- Suppose (n) become equal to 0.02 calculate the same above.
- Calculate the same above if (n) become equal to 0.01
- If you have and use the following kaldor saving equation

$$S = sw(W/Y) + sp(P/Y)$$

Where

$$sw = 0.02$$  
$$sp = 0.42$$  
$$P/Y = 32.5$$  
$$w/y = 67.5$$

Is this give you the model establish?
- If above impossible; determine the saving function which it able give establish model

Thirdly: The following information is given

<table>
<thead>
<tr>
<th>Y</th>
<th>R</th>
<th>I</th>
</tr>
</thead>
<tbody>
<tr>
<td>1000</td>
<td>500</td>
<td>20</td>
</tr>
<tr>
<td>K</td>
<td>S</td>
<td>(\delta P/P)</td>
</tr>
<tr>
<td>200</td>
<td>20</td>
<td>0.3</td>
</tr>
<tr>
<td>P</td>
<td>W</td>
<td>L</td>
</tr>
<tr>
<td>1</td>
<td>4</td>
<td>125</td>
</tr>
</tbody>
</table>

$$Sr = 0.025$$

- Determine the forced saving by keynes's view.
- Calculate \(\Delta v\) by Robinson and Kaldor

Question four:

Firstly: "There are a number of reasons why technological choice sometimes appears to be little different in developing countries than in technologically advanced societies" Discuss by dialetes.

Secondly: You have the following production function in consumption sector industry

$$Q = 2L - 4L^2$$

Consider $K$ = constant. $Q$ = is the production function in consumption sector.

L = employment level
- Determine the degree of conflict between (L) employment and (S) saving from the following cases

Case 1 – Fixed wage
Case 2 – If the saving source from both the wages and profit, where $sw = 0.25$ $sp = 0.40$
Case 3 – compare between $L^c L^c_1$ $S$ $S1$ in both case (1-2) then recommend about the results.

Dr. Gamal I. Hassan
Answer the following questions:

Question (1)

1- A data flow diagram (or DFD) has four basic elements. The flow of data between processes, data stores, and data sources and destinations is known as
   a- data sources and destinations  b- data flows  c- transformation processes  d- data stores.

2- Most processes on a DFD can be identified by
   a- data in-flows only  b- data out-flows only
   c- data flows both into or out of a process  d- always being followed by a data store.

3- A data flow diagram (or DFD) has four basic elements. The altering of data from inputs to outputs is known as
   a- data sources and destinations  b- data flows  c- transformation processes
   d- data stores

4- A data flow diagram (or DFD) has four basic elements. The people and organizations that send data to and receive data from the system are known as
   a- data sources and destinations  b- data flows  c- transformation processes
   d- data stores

5- In the data flow diagram of the customer payment process, "Customer" will appear in
   a- a square  b- a circle  c- two horizontal lines  d- none of the above

6- In general, a data destination will be shown by
   a- an arrow pointing away  b- an arrow pointing in
   c- arrows pointing both ways  d- no arrows, only two horizontal lines

7- In the data flow diagram of the customer payment process, "update receivables" will appear in
   a- a square  b- a circle  c- two horizontal lines  d- none of the above

8- In the data flow diagram of the customer payment process, "Customer payment" will appear above or in
   a- a square  b- a circle  c- two horizontal lines  d- none of the above

9- Balcony Landscaping markets its unique services to condominium residents in West Palm Beach, Florida, who want to maintain gardens on their balconies. The service includes watering, trimming, weeding, feeding, pest control, and, of course, the design and installation of balcony gardens. Which of the following best describes the strategy and strategic position of this business?
   a- Product differentiation strategy combined with a variety-based strategic position.
   b- Product differentiation strategy combined with a needs-based strategic position.
   c- Product differentiation strategy combined with an access-based strategic position.
   d- Low-cost strategy combined with a variety-based strategic position.
   e- Low-cost strategy combined with a needs-based strategic position.
   f- Low-cost strategy combined with an access-based strategic position.

10- Which of the following is an example of an ERP system?
   a- Alex uses a sophisticated information system to keep track of all the financial data generated by her bakery. She is considering opening a new bakery on the east side of town.
   b- Betty has a system that keeps track of the accounts payable and receivable for her plumbing business. At the end of the year, it allows her to prepare her taxes in two hours.
   c- Charlie keeps records of all his business expenses in a shoe box. Each week he enters all of the data into spreadsheets that automatically generate orders based on preset inventory triggers. Production quotas for the coming week are also automatically generated by customer orders.
   d- Doug is a free-lance photographer. He keeps records of all expenses and revenues on his cell phone and then emails them to himself every month. The files are stored on his personal computer and backed up to CD quarterly.
Use the chart below to answer the following questions regarding flow chart symbols.

11- Which symbol would be used in a flowchart to represent a general ledger?
   a- □#   b- △#   c- □#   d- △#

12- Which symbol would be used in a flowchart to represent a connection to another part of the flowchart on the same page?
   a- □#   b- △#   c- □#   d- △#

13- Which symbol would be used in a flowchart to represent a file of paper documents?
   a- □#   b- △#   c- □#   d- △#

14- Which symbol would be used in a flowchart to represent a general ledger master file kept on magnetic disk?
   a- □#   b- △#   c- □#   d- △#

15- Which symbol would be used in a flowchart to represent the addition of information about a step represented in another symbol on the flowchart?
   a- □#   b- △#   c- □#   d- △#

Question (2):

(2-A) What is the difference between file-oriented transaction processing systems and relational database systems? Discuss the advantages and disadvantages of these systems.

(2-B) How can an AIS become part of the firm's value chain and add value to the business?

Question (3):

(3-A) Describe the information that is contained in the data dictionary.

(3-B) How can the value of the information produced by an accounting information system be determined? What would a measurement and verification expert think about quantification and verification of such information?
Question (4):

(4-A) Following is a context diagram for a current Payroll Processing System. (Identify the data sources and destinations, data flows, and transformation process marked by question marks.)

What would you need to do to explode this diagram?

(4-B) Write the narrative of the following document flowchart:

1. Customer Order
2. Sales Order
3. Shipping Documents
4. Invoice
5. Accounts Receivable Ledger
6. Payment
7. Cash Receipts Journal
8. General Ledger
9. Trial Balance
10. Financial Statements
Answer the Following Questions

1. What characteristics differentiate G&NP organizations from profit-seeking entities?

2. What differences would you expect to find between the accounting principles for the General Fund and for Special Revenue Funds?

3. The principal financial statements of business enterprises are the balance sheet, income statement, and statement of cash flows. What similarities and differences are there between these statements and the operating and position statements of a proprietary fund? A governmental fund?

4. Why are encumbrances not considered expenditures under the modified accrual (GAAP) basis of governmental accounting?

5. (GL and SL Entries) Marcus County adopted the following budget for one of its Special Revenue Funds for the 20X9 fiscal year, its first year in operation:

   Revenues:
   - Property taxes ................................................. $500,000
   - Sales taxes .................................................. 200,000
   - Federal grants ................................................. 100,000
   - Service charges .............................................. 80,000
   - Fines ......................................................... 50,000
   - Other ......................................................... 20,000
   Total Revenues ................................................ 950,000

   Expenditures:
   - Manager ..................................................... 110,000
   - Commission ................................................... 90,000
   - Roads and bridges ......................................... 400,000
   - Courts ........................................................ 60,000
   - Sheriff ....................................................... 180,000
   - Jail .......................................................... 70,000
   - Other ......................................................... 30,000
   Total Expenditures ............................................ 940,000

   Budgeted Excess of Revenues over Expenditures ............. $10,000

The following transactions and events occurred during 20X9:
1. The property taxes were levied, $530,000, of which $25,000 is expected to be uncollectible.

2. Purchase orders and contracts were approved at the following estimated costs:
   - Manager ..................................................... $20,000
   - Roads and bridges ........................................... 200,000
   - Sheriff ...................................................... 40,000
   - Jail .......................................................... 10,000
   Total ....................................................... $270,000
3. The goods and services ordered on these purchase orders and contracts were delivered at the following actual costs, which were approved as vouchers payable:

Manager ........................................... $19,500
Roads and bridges .............................. 200,000
Sheriff ........................................... 40,300
Jail ................................................. 9,900

$269,700

4. Property taxes collected during 20X9 totaled $503,000. The balance of the uncollected taxes became delinquent.

5. Other cash receipts during 20X9 were

Sales taxes ........................................ $180,000
Federal grants ..................................... 106,000
Service charges .................................. 74,000
Fines .............................................. 52,000
Other .............................................. 18,000

$430,000

6. Cash was disbursed for payroll and other unencumbered expenditures as follows:

Manager ........................................... $88,700
Commission ...................................... 84,300
Roads and bridges .............................. 197,000
Courts ............................................ 56,000
Sheriff ........................................... 133,000
Jail ................................................. 61,500
Other .............................................. 29,500

$650,000

Vouchers payable of $260,000 were also paid.

7. Additional purchase orders and contracts were issued at these estimated costs:

Commission ...................................... $4,000
Roads and bridges .............................. 2,000
Courts ............................................ 3,700
Sheriff ........................................... 5,800

$15,500

8. Accrued receivables and payables at year end were

a. Revenues receivable:

Sales taxes ...................................... $19,000
Service charges ................................ 4,000
Other ........................................... 1,000

$24,000

b. Expenditures payable:

Manager .......................................... $500
Commission ...................................... 1,200
Other ........................................... 300

$2,000

Prepare the journal entries required to record the adoption of the budget and the numbered transactions and events in the General Ledger and in the Revenues and Expenditures subsidiary Ledgers of the Marcus County Special Revenue Fund for the 20X9 fiscal year. Key the budgetary entry "B" and key the numbered transactions and events by number.
**First Question:**

Colchester Company uses a job order cost system to record and distribute costs. The following information was accumulated for job 25:
1. The production volume was 2000 units.
2. Direct materials received from materials inventory $7900.
3. Direct labour hours were 500 hours at rate of $9 per hour.
4. Factory overhead is applied at 80% of direct labour cost.

There were 100 spoiled units with a salvage value of $2 each. Spoilage of 40 units was abnormal. In addition, there were 50 defective units, 30 of which were expected.

The rework costs of defective units were as follows:
- Direct materials $350
- Direct labour 100
- Factory overhead 50

Total 500

**Required**

Prepare the journal entries necessary to record the above information, assuming that the normal spoilage and defective rework costs were:
a. Allocated to all jobs (included in the factory overhead application rate).
b. Allocated to specific jobs (not included in the factory overhead application rate).

**Second Question:**

Essex Company manufactures a single product. The company uses a process cost system which involves two processing departments, A and B. In the department A, direct materials are added at the beginning of the process, and conversion costs are added evenly throughout the process. In the department B, direct materials are added at 70% of completion in the process, and the conversion costs are added evenly throughout the process. Inspection for spoiled units occurs at the 50% stage of completion at department A and at the 60% stage of completion at department B. The company policy is to treat the cost of spoiled units in production as a separate element of costs in the department in which the spoilage occurs.

For the month of July 2003, the following data are available:

<table>
<thead>
<tr>
<th>Units</th>
<th>Department A</th>
<th>Department B</th>
</tr>
</thead>
<tbody>
<tr>
<td>a- Beginning units in process</td>
<td>500 (45%)</td>
<td>2000 (80%)</td>
</tr>
<tr>
<td>b- Units started in process</td>
<td>7000</td>
<td>??</td>
</tr>
<tr>
<td>c- Units completed and transferred out</td>
<td>??</td>
<td>??</td>
</tr>
<tr>
<td>d- Ending units in process</td>
<td>1200 (75%)</td>
<td>1000 (40%)</td>
</tr>
<tr>
<td>e- Spoiled units: Normal</td>
<td>200</td>
<td>300</td>
</tr>
<tr>
<td>e- Spoiled units: Abnormal</td>
<td>100</td>
<td>200</td>
</tr>
</tbody>
</table>
Costs

a. Costs of beginning units in process:
   - From preceding department - $12750
   - Direct materials $3300 -
   - Conversion costs 2000 6400

b. Costs added during the period:
   - Direct materials 41700 19500
   - Conversion costs 19150 26000

Required

Prepare a cost production report for July for departments A and B using the weighted average costing method.

Third Question

Liverpool Corporation is a manufacturing company that produces a single product. The company uses FIFO process costing method for both financial statements and internal management reporting.

The standard costs per unit are as follows:
- Direct materials 2 KGs at $5 per KG
- Direct labour 3 hours at $3 per hour
- Factory overhead 3 hours at $4 per hour

Normal capacity is 30,000 hours, and the fixed factory overhead at this normal capacity is $45000.

Data for month of June are presented below:

a. The beginning units in process were 1500 units which were 100% complete as to direct materials and 40% complete as to direct labour and factory overhead.
b. An additional 10,000 units were started during the month.
c. The ending units in process consisted of 2000 units which were 100% complete as to direct materials and 30% complete as to direct labour and factory overhead.

d. Costs applicable to June production are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Actual Cost</th>
<th>Standard Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct materials</td>
<td>$114000</td>
<td>??</td>
</tr>
<tr>
<td>Direct labour</td>
<td>82600</td>
<td>??</td>
</tr>
<tr>
<td>Factory overhead</td>
<td>115000</td>
<td>??</td>
</tr>
</tbody>
</table>

Required

Compute the following variances:

a. Direct materials total, efficiency and price variances.
b. Direct labour total, efficiency and price (rate) variances.
c. Factory overhead variances using the three-factor analysis.

Best Wishes

A

T
Use the equations and diagrams to answer each of the following questions if it is necessary.

**Question no. (1)**

A: "Explain the Lewis two-sector model of the economic development.

B: "Explain the criticisms of the Lewis model of development.

**Question no. (2)**

A: Compare by details between classical and modern the economic development definitions?

B: Compare by details between the prior-saving approach and the Keynesian approach to the financing of development?

**Question no. (3)**

A: Present the Harrod-Domar model for growth and illustrate why this model is not a dynamic case.

B: Suppose that following values for Harrod-Domar model are.

\[ v = 10 \quad u = 20 \quad s = 0.20 \quad n = 0.02 \quad k_0 = 100 \quad L_0 = 200 \]

Calculate the real value for all \( L_1 \) \( K_1 \) \( Y_0 \) \( Y_1 \) and equilibrium state for both \( (0) \) \( (1) \) Periods.

C: if \( n = 0.03 \) . calculate \( K \) \( L \) \( Y \) and equilibrium case.

D: if \( n = 0.01 \) . calculate \( K \) \( L \) \( Y \) and equilibrium case.

E: use the following data to make Harrod-Domar model as dynamic with new saving function according to Kaldor model \( sw = 0.05 \quad sp = 0.11 \quad w/y = 0.20 \quad p/y = 0.80 \)
Question four

Suppose you have the following information about industrial production function in a developing country:

\[ Q = AL - 3BL^2 \]

Where \( Q \) the total products \( L \) the labor, illustrate the potential conflict between employment and saving under the following assumption

1- The industrial sector labour is paid a fixed wage \( (w) \).
2- The wage equal to the marginal product.

Use the diagram and equations to support your answer.

Good luck.....

Dr. Gamal I. Hassan
First Question: (40 degree)

Cambridge Company uses a job order cost system to record and distribute costs. The following information was accumulated for job 25:
1. The production volume was 3000 units.
2. Direct materials: Beginning $6000; Purchased $20000; Ending $8000.
3. Direct labour hours were 1000 hours at rate of $10 per hour.
4. Factory overhead is applied at 80% of direct labour cost.

There were 200 spoiled units with a salvage value of $3 each. Spoilage of 50 units was abnormal. In addition, there were 50 defective units, 30 of which were expected.

The rework costs of defective units were as follows:
- Direct materials $130
- Direct labour 150
- Factory overhead (80%) 120
Total 400

Required
1. Prepare the journal entries necessary to record the above information, assuming that the normal spoilage and defective rework costs were:
   a. Allocated to all jobs (included in the factory overhead application rate).
   b. Allocated to specific jobs (not included in the factory overhead application rate).
2. Assuming that the normal spoilage and defective rework costs were allocated to all jobs; the job 25 was completed and transferred to finished goods inventory. The order delivered to customer and the sale price was $40000 collected in cash. Prepare the journal entries required to record these transactions.

Second Question: (30 degree)

Oxford Company manufactures a single product. The company uses a process cost system which involves two processing departments, A and B. In the department A, direct materials are added at the beginning of the process, and conversion costs are added evenly throughout the process. In the department B, direct materials are added at the end of the process, and the conversion costs are added evenly throughout the process. Inspection for spoiled units occurs at the 50% stage of completion at department A and at the 60% stage of completion at department B. The company policy is to treat the cost of spoiled units in production as a separate element of costs in the department in which the spoilage occurs.

For the month of July 2009, the following data are available:

<table>
<thead>
<tr>
<th>Units</th>
<th>Department A</th>
<th>Department B</th>
</tr>
</thead>
<tbody>
<tr>
<td>a- Beginning units in process</td>
<td>500 (45%)</td>
<td>2000 (80%)</td>
</tr>
<tr>
<td>b- Units started in process</td>
<td>7000</td>
<td>??</td>
</tr>
<tr>
<td>c- Units completed and transferred out</td>
<td>??</td>
<td>??</td>
</tr>
<tr>
<td>d- Ending units in process</td>
<td>1200 (75%)</td>
<td>1000 (40%)</td>
</tr>
</tbody>
</table>

[Signature]
Part one Answer the following questions

Question (1) (40 point) (GL and SL Entries; Statements) The following financial activities affecting Judbury City's General Fund took place during the year ended June 30, 20X1:

1. The following budget was adopted:
   - Estimated revenues:
     - Property taxes: $4,500,000
     - Licenses and permits: 300,000
     - Fines: 200,000
   - Total: $5,000,000

   Appropriations:
   - General government: $1,500,000
   - Police services: 1,200,000
   - Fire department services: 900,000
   - Public works services: 800,000
   - Acquisition of fire engines: 400,000
   - Total: $4,800,000

2. Property tax bills totaling $4,650,000 were mailed. It was estimated that $300,000 of this amount will be delinquent, and $150,000 will be uncollectible.

3. Property taxes totaling $3,900,000 were collected. The $150,000 previously estimated to be uncollectible remained unchanged, but $750,000 was reclassified as delinquent. It is estimated that delinquent taxes will be collected soon enough after June 30, 20X1, to make these taxes available to finance obligations incurred during the year ended June 30, 20X1.
   There was no balance of uncollected taxes at July 1, 20X0.

4. Tax anticipation notes in the face amount of $300,000 were issued.

5. Other cash collections were as follows:
   - Licenses and permits: $270,000
   - Fines: 200,000
   - Sale of public works equipment (original cost, $75,000): 15,000
   - Total: $485,000

6. The following purchase orders were executed:
   - General government: $1,050,000, outstanding at 6/30/X1: $60,000
   - Police services: 300,000, 30,000
   - Fire department services: 150,000, 15,000
   - Public works services: 250,000, 10,000
   - Fire engines: 400,000
   - Totals: $2,150,000, outstanding at 6/30/X1: $115,000
   - No encumbrances were outstanding at June 30, 20X0.

7. The following vouchers were approved:
   - General government: $1,440,000
   - Police services: 1,155,000
   - Fire department services: 870,000
   - Public works services: 700,000
   - Fire engines: 400,000
   - Totals: $4,565,000

8. Vouchers totaling $4,600,000 were paid.
(a) Prepare journal entries to record the foregoing financial activities in the General Fund General Ledger and in the Revenues and Expenditures Subsidiary Ledgers. Omit explanations. Ignore interest accruals.

(b) Prepare a Statement of Revenues, Expenditures, and Changes in Fund Balance for the General Fund of Judbury City for the fiscal year ended June 30, 20X1. Assume that the beginning total fund balance was $80,000.

**Question (2) (20 points)** Define and explain the following unique characteristics of state and local government accounting:
1. Fund accounting
2. Measurement focus
3. Bases of accounting
4. List three and explain of the main characteristics that differentiate government and nonprofit organizations from profit-seeking organizations
5. List four factors that cause society to subject G&NP organizations to more stringent legal, regulatory, and other controls than it imposes on private businesses.

**Question (3) (20 points)** Transaction Analysis:

a. Analyze the effects of the following transactions on the accounting equations of the various funds and nonfund accounts of a state or local government. Identify the fund that typically would be used to record the transaction.

b. Indicate how each transaction would be reported in the operating statement for each fund affected.

*Example:* Cash received for licenses during 20X1, $8,000.

*Answer:*

<table>
<thead>
<tr>
<th>Governmental Funds</th>
<th>General Capital Assets and General Long-Term Liabilities Accounts</th>
</tr>
</thead>
<tbody>
<tr>
<td>No.</td>
<td>Fund</td>
</tr>
<tr>
<td>E.</td>
<td>GF</td>
</tr>
</tbody>
</table>

GF=General fund

Revenues of $8,000 reported in GF.

1. The government owned and operated electric utility billed users $2,000,000 for electricity usage. This included $100,000 billed to General Fund departments for electricity usage.
2. $50,000 of General Fund money was loaned to a Capital Projects Fund to allow construction on a project to begin before the related bonds were issued. The loan is to be repaid in 6 months.
3. $1,000,000 of property taxes were levied during the year to provide financing for the budget for the year of levy; $800,000 was collected by year end. Another $85,000 was collected during the first 60 days of the next fiscal year. An additional $100,000 is expected to be collected during the remainder of the second fiscal year, and $15,000 is estimated to be uncollectible.
4. The government issued a $7,000,000, 6 percent, 5-year note halfway through the fiscal year to provide partial financing for construction of a bridge.
5. The government issued a $1,000,000, 6 percent, 1-year note halfway through the fiscal year to provide temporary financing for a special program, which will be financed ultimately by reimbursements from a restricted grant awarded to the government for the specific purpose of financing that program. However, no cash has been received from the grantor to date.
6. A truck for a general government department was purchased for $40,000 cash.
7. Repaid outstanding general government bonds, $2,000,000, and paid $100,000 interest.
8. The 1-year note from transaction 5 matured and was paid along with the interest of $60,000.
9. A utility department truck was sold halfway through its useful life for $17,000. The truck, which originally cost $45,000, had accumulated depreciation of $30,000.

**Question (4) (20 points)**

Prepare the Journal entries for the following transactions and events took place during 20X0:

1. An order for materials placed at the end of the preceding year and estimated to cost $10,000 was received; the invoice indicated an actual cost of $9,500.
2. Taxes of $110,000 accrued; an allowance of 5% was made for possible losses.
3. Collections were made as follows:
   - Current Taxes .................................................. $90,000
   - Delinquent Taxes ........................................... 10,000
   - Interest and Penalties Receivable on Taxes ........... 300
   - Accounts Receivable ....................................... 5,000
4. Taxes totaling $20,000 have become delinquent; the balance of Allowance for Uncollectible Taxes—Current was reclassified to Allowance for Uncollectible Taxes—Delinquent.
5. Delinquent taxes of $2,000 were written off; interest and penalties receivable on taxes of $20 were also written off.
6. Orders were placed for (a) materials estimated to cost $20,000 and (b) a truck estimated to cost $28,000.
7. Delinquent taxes of $200, which were written off in preceding years, were collected with interest and penalties of $35 ($25 of which had been previously accrued and written off).
8. Payments were made as follows:
   - Vouchers Payable .............................................. $15,500
   - Payrolls ......................................................... 45,000
9. The materials and truck ordered (in 7) were received; bills for $21,000 and $28,000, respectively, were also received.
Contemporary Accounting Issues
Time: 3 Hours

Fourth Year
January 25, 2010

Answer the following questions:

Question One (40 marks):

First (20 marks):
Select the best answer for each of the following multiple-choice questions:

1- In a “bargain purchase” business combination, the excess of the current fair value of the combinee’s identifiable net assets over the cost to the combininor is:
   a. Credited to the combininor’s negative goodwill ledger account.
   b. Offset against the balance of the combininor’s Investment in Combinee Company ledger account.
   c. Credited to the combininor’s Additional Paid-in Capital ledger account.
   d. Accounted for in some other manner.

2- In the balance sheet of a combined enterprise on the date of a business combination, unallocated negative goodwill is displayed:
   a. In stockholders’ equity.
   b. In a note to financial statements.
   c. As an offset to total assets.
   d. As a deferred credit.
   e. In some other manner.

3- An investor company that owns more than 50% of the outstanding voting common stock of an investee may not control the investee if:
   a. The investee is in reorganisation in bankruptcy proceedings.
   b. There is a large passive minority interest in the investee.
   c. A part of the investor company’s ownership is indirect.
   d. The investee is a finance-related enterprise.

4- In a working paper elimination (in journal entry format) for the consolidated balance sheet of a parent company and its wholly owned subsidiary on the date of a business combination, the subtotal of the debits to the subsidiary’s stockholders’ equity accounts equals the:
   a. Current fair value of the subsidiary’s identifiable net assets.
   b. Current fair value of the subsidiary’s total net assets, including goodwill.
   c. Balance of the parent company’s investment ledger account.
   d. Carrying amount of the subsidiary’s identifiable net assets.

5- In the working paper for consolidated balance sheet prepared on the date of the business combination of a parent company and its wholly owned subsidiary, whose liabilities had current fair values equal to their carrying amounts, the total of the Eliminations column is equal to:
   a. The current fair value of the subsidiary’s identifiable net assets.
   b. The total stockholders’ equity of the subsidiary.
   c. The current fair value of the subsidiary’s total net assets, including goodwill.
   d. An amount that is not determinable.

6- On the date of the business combination of Pobre Corporation and its wholly owned subsidiary, Sabe Company, Pobre paid (1) $100,000 to the former stockholders of Sabe for their stockholders’ equity of $65,000 and (2) $15,000 for direct out-of-pocket costs of the combination. Goodwill recognized in the business combination was $10,000. The current fair value of Sabe’s identifiable net assets was:
   a. $65,000  b. $75,000  c. $105,000  d. $115,000  e. $125,000

7- Does a branch use a Shipments from Home Office ledger account under the:
**Perpetual Inventory System?**  **Periodic Inventory System?**

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>a.</strong></td>
<td>Yes</td>
</tr>
<tr>
<td><strong>b.</strong></td>
<td>Yes</td>
</tr>
<tr>
<td><strong>c.</strong></td>
<td>No</td>
</tr>
<tr>
<td><strong>d.</strong></td>
<td>No</td>
</tr>
</tbody>
</table>

8- Which of the following generally is not a method of billing merchandise shipments by a home office to a branch?

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>a.</strong> Billing at cost.</td>
<td><strong>b.</strong> Billing at a percentage below cost.</td>
</tr>
<tr>
<td><strong>c.</strong> Billing at a percentage above cost.</td>
<td><strong>d.</strong> Billing at retail selling price.</td>
</tr>
</tbody>
</table>

9- A journal entry debiting Cash in Transit and crediting Investment in Branch is required for:

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>a.</strong> The home office to record the mailing of a check to the branch early in the accounting period.</td>
<td><strong>b.</strong> The branch to record the mailing of a check to the home office early in the accounting period.</td>
</tr>
<tr>
<td><strong>c.</strong> The home office to record the mailing of a check by the branch on the last day of the accounting period.</td>
<td><strong>d.</strong> The branch to record the mailing of a check to the home office on the last day of the accounting period.</td>
</tr>
</tbody>
</table>

10- If the home office maintains accounts in its general ledger for a branch’s plant assets, the branch debits its acquisition of office equipment to:

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>a.</strong> Home Office.</td>
<td><strong>b.</strong> Office Equipment.</td>
</tr>
<tr>
<td><strong>c.</strong> Payable to home office.</td>
<td><strong>d.</strong> Office Equipment Carried by Home office.</td>
</tr>
</tbody>
</table>

**Second (20 marks):**

Included in the accounting records of the home office and Wade Branch, respectively, of Lobo Company were the following ledger accounts for the month of January 2005:

**Investment in Wade Branch (in Home Office accounting records)**

<table>
<thead>
<tr>
<th>Date</th>
<th>Explanation</th>
<th>Debit</th>
<th>Credit</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005, Jan., 1</td>
<td>Balance</td>
<td>4,000</td>
<td>1,600</td>
<td>39,200 dr</td>
</tr>
<tr>
<td>9</td>
<td>Shipment of merchandise</td>
<td></td>
<td></td>
<td>43,200 dr</td>
</tr>
<tr>
<td>21</td>
<td>Receipt of cash</td>
<td></td>
<td></td>
<td>41,600 dr</td>
</tr>
<tr>
<td>27</td>
<td>Collection of branch trade accounts</td>
<td></td>
<td>1,100</td>
<td>40,500 dr</td>
</tr>
<tr>
<td></td>
<td>receivable</td>
<td></td>
<td></td>
<td>46,500 dr</td>
</tr>
<tr>
<td>31</td>
<td>Shipment of merchandise</td>
<td>6,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>31</td>
<td>Payment of branch trade accounts</td>
<td>2,000</td>
<td></td>
<td>48,500 dr</td>
</tr>
<tr>
<td></td>
<td>payable</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Home Office (in Wade Branch accounting records)**

<table>
<thead>
<tr>
<th>Date</th>
<th>Explanation</th>
<th>Debit</th>
<th>Credit</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005, Jan., 1</td>
<td>Balance</td>
<td>4,000</td>
<td></td>
<td>39,200 cr</td>
</tr>
<tr>
<td>10</td>
<td>Receipt of merchandise</td>
<td></td>
<td>4,000</td>
<td>43,200 cr</td>
</tr>
<tr>
<td>19</td>
<td>Remittance of cash</td>
<td>1,600</td>
<td></td>
<td>41,600 cr</td>
</tr>
<tr>
<td>28</td>
<td>acquisition of furniture</td>
<td>1,200</td>
<td></td>
<td>40,400 cr</td>
</tr>
<tr>
<td>30</td>
<td>Return of merchandise</td>
<td>2,200</td>
<td></td>
<td>38,200 cr</td>
</tr>
<tr>
<td>31</td>
<td>Remittance of cash</td>
<td>2,500</td>
<td></td>
<td>35,700 cr</td>
</tr>
</tbody>
</table>

**Instructions:**

- **a.** Prepare a working paper to reconcile the reciprocal ledger accounts of Lobo Company’s home office and Wade Branch to the corrected balances on January 31, 2005.

- **b.** Prepare journal entries on January 31, 2005, for the (1) home office and (2) Wade Branch of Lobo Company to bring the accounting records up to date. Both the home office and the branch use the perpetual inventory system.
**Question Two (30 marks):**

The balance sheet of Combinee Company on October 31, 2005, was as follows:

**COMBINEE COMPANY**

Balance Sheet (prior to business combination) October 31, 2005

<table>
<thead>
<tr>
<th>Assets</th>
<th>Carrying</th>
<th>Current</th>
<th>Liabilities &amp; S.H. Equity</th>
<th>Carrying</th>
<th>Current</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$ 60,000</td>
<td></td>
<td>Current liabilities</td>
<td>$180,000</td>
<td>180,000</td>
</tr>
<tr>
<td>Other current assets</td>
<td>420,000</td>
<td>500,000</td>
<td>Long-term debt</td>
<td>250,000</td>
<td>240,000</td>
</tr>
<tr>
<td>Plant assets</td>
<td>920,000</td>
<td>1,000,000</td>
<td>Common stock</td>
<td>200,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Paid-in capital</td>
<td>320,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Retained earnings</td>
<td>450,000</td>
<td></td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td>1,400,000</td>
<td></td>
<td><strong>Totals</strong></td>
<td>1,400,000</td>
<td></td>
</tr>
</tbody>
</table>

On October 31, 2005, Combinor issued 100,000 shares of its $10 par (current fair value $13) common stock for all the net assets of Combinee in a business combination. Also, on October 31, 2005, Combinor paid the following out-of-pocket costs in connection with the combination: Finder’s fee, accounting fees, and legal fees to effect combination $180,000, Costs associated with SEC registration statement $120,000.

**Instructions:**

Prepare journal entries for Combinor Corporation on October 31, 2005, to record the business combination with Combinee Company.

**Question Three (30 marks):**

On October 31, 2005, Pagel Corporation acquired 83% of the outstanding common stock of Sayre Company in exchange for 50,000 shares of Pagel’s no-par, $2 stated value ($10 current fair value a share) common stock. Out-of-pocket costs of the business combination paid by Pagel on October 31, 2005, were as follows: Legal and finder’s fees related to business combination $34,750, Costs associated with SEC registration statement for Pagel’s common stock $55,250, the separate balance sheets of the constituent companies prior to the business combination follow:

**PAGEL CORPORATION AND SAYRE COMPANY**

Separate Balance Sheets (prior to business combination): October 31, 2005

<table>
<thead>
<tr>
<th>Assets</th>
<th>Pagel Corporation</th>
<th>Sayre Company</th>
<th>Liabilities &amp; Stockholders’ Equity</th>
<th>Pagel Corporation</th>
<th>Sayre Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$ 250,000</td>
<td>150,000</td>
<td>Income taxes</td>
<td>$ 40,000</td>
<td>60,000</td>
</tr>
<tr>
<td>Inventories</td>
<td>860,000</td>
<td>600,000</td>
<td>Other C. Liabil.</td>
<td>390,000</td>
<td>854,000</td>
</tr>
<tr>
<td>Other c. assets</td>
<td>500,000</td>
<td>260,000</td>
<td>Long-term debt</td>
<td>950,000</td>
<td>1,240,000</td>
</tr>
<tr>
<td>Plant assets</td>
<td>3,400,000</td>
<td>1,500,000</td>
<td>Common stock</td>
<td>1,500,000</td>
<td>100,000</td>
</tr>
<tr>
<td>patents</td>
<td>80,000</td>
<td>95,000</td>
<td>Paid-in capital</td>
<td>1,500,000</td>
<td>336,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Retained Earn.</td>
<td>630,000</td>
<td></td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td>$5,010,000</td>
<td>$2,590,000</td>
<td><strong>Totals</strong></td>
<td>$5,010,000</td>
<td>$2,590,000</td>
</tr>
</tbody>
</table>

**Instructions:**

a. Prepare Pagel Corporation’s journal entries on October 31, 2005, to record the business combination with Sayre Company.

b. Prepare a working paper elimination (in journal entry format) on October 31, 2005, and the related working paper for the consolidated balance sheet of Pagel Corporation and subsidiary. Amounts in the working papers should reflect the journal entries in (a).

**Best Wishes******

*Ali Abdelkarim Rawy*
Part one Answer the following questions:

**Question I (30 points):** For each of the following statements, write down in your answer book the number of the statement and the appropriate symbol. Do not copy the statement in the answer book.

1. A set of two or more interrelated components that interact to achieve a goal is:
   a. A system  
   b. An accounting information system  
   c. Data  
   c. Mandatory information

2. Pre-numbering of source documents helps to verify that
   a. all transactions have been recorded since the numerical sequence serves as a control.  
   b. no inventory has been misplaced.  
   c. documents have been used in order.  
   d. all cash has been collected.

3. This results when a subsystem achieves its goals while contributing to the organization's overall goal.
   a. Goal conflict  
   b. Goal congruence  
   c. Value of information  
   d. Systems congruence

4. The value of information can best be defined as
   a. how useful it is to decision makers.  
   b. benefits produced by possessing and using the information minus the cost of producing it.  
   c. how relevant it is.  
   d. the extent to which it maximizes the value chain.

5. The benefit produced by the information minus the cost of producing it.
   a. Goal congruence  
   b. Information  
   c. Information overload  
   d. Value of information

6. The AIS must include controls to ensure
   a. safety and availability of data  
   b. marketing initiatives match corporate goals.  
   c. Information produced from data is accurate.  
   d. both A and C

7. The business owners obtain financing from outside investors, which results in an inflow of cash into the company. This transaction is considered to be part of which cycle?
   a. the revenue cycle  
   b. the payroll cycle  
   c. the production cycle  
   d. the financing cycle

8. Which of the following is not a transaction cycle?
   a. revenue  
   b. expenditure  
   c. human resources  
   d. general ledger and reporting

9. In transaction processing, generally which activity comes first?
   a. recording data in a journal  
   b. posting items to special journals  
   c. capturing data on source documents  
   d. posting data to a ledger

10. A decision situation that is non-routine and for which no established framework exists for making the decision is called a(n) __________ decision.
    a. structured  
    b. semistructured  
    c. unstructured  
    d. strategic

11. A report which shows actual results, budgets, and variances is called a
    a. financial plan.  
    b. cash budget.  
    c. performance report.  
    d. managerial report.

12. Characteristics of interest that need to be stored are
    a. Attribute  
    b. database  
    c. entity  
    d. record

13. Computers store data by organizing smaller units of data into larger units, which have meaning to users. Data values that are stored in a physical space are called a
    a. field.  
    b. record.  
    c. file.  
    d. database.
14- Some information will have to be collected from ________ sources to determine, for example, customer satisfaction.
   A- External  b- internal  c- regulatory  d- competitive

15- Performance reports are primarily used for

16- A graphical representation of the flow of documents and information between departments or areas of responsibility within an organization is called
   C- a system flowchart.

17- A graphical description of the sequence of logical operations that a computer performs is called
   C- a system flowchart.

18- In a document flowchart of a manual payroll processing system, "update employee file" will be shown by a(n) ________ symbol, and "prepare payroll check" will be shown by a(n) ________ symbol.
   A- input; output  B- input; manual operation
   C- manual operation; output  D- manual operation; manual operation

19- Which type of flowchart is an excellent vehicle for describing information flows and procedures within an AIS?
   A- program flowchart  b- a document flowchart
   C- an internal control flowchart  d- a system flowchart

20- In a program flowchart comparison of one or more variables, the transfer of flow to alternative logic paths is represented by
   a- a terminal  A- data/information flow  C- computer operation  D- decision diamond.

21- A flowchart is an analytical tool used to describe some aspect of an information system. A flowchart that depicts the relationships among the input, processing, and output of an AIS is
   C- a system flowchart.  D- a program flowchart.

22- A data flow diagram (or DFD) has four basic elements. The altering of data from inputs to outputs is known as
   C- transformation processes.  D- data stores.

23- Using a file-oriented approach to data and information, data is maintained in
   A- a central database.  B- many interconnected files.
   C- many separate files.  D- a decentralized database.

24- The ________ handles the link between the way data are physically stored and each user’s logical view of that data.
   A- Data warehouse  B- Database administrator
   C- Database management system software  D- Schema

25- The part of the DBMS that is used to interrogate the database and present subsets of the database to users is called the
   A- DDL.  B- DML.  C- DQL.  D- DBA.
   C- DQL.  D- DBA.

26- The part of the DBMS that is used to interrogate the database and present subsets of the database to users is called the
   A- DDL.  B- DML.  C- DQL.  D- DBA.

27- The logical structure of a database is described by the
28. The __________ contains information about the structure of the database.
   A- Data definition language  B- Data dictionary  
   C- Data warehouse  D- Database management system

29. What is the most popular type of database?
   A- hierarchical  B- relational  C- object-oriented  D- network

30. Which of the following would not be found in a data dictionary entry for a data item?
   A- records containing a data item  B- the physical location of the data
   C- the source of the data item  D- the field (data) type

**Answer the following questions**

**Question (2)** Explain the fundamental concepts and components of database systems such as DBMS, schemas, the data dictionary, data base, report generator, DBMS languages .... (3 points)

**Question (3)** What is a relational database, and how does it organize and use data? (2 points)

**Question (4)** (3 points)

a- List and explain at least five guidelines for preparing document flowcharts.

b- Identify type and level of the following figure, and write a proper narrative for it.

c- Prepare and name a more detailed figure of it.

d- What information comes into this process, and from where?

![Payroll Processing System Diagram]
Answer all questions

"Present value of 1" factors for solving questions that require present value computations:

<table>
<thead>
<tr>
<th>End of Year</th>
<th>6%</th>
<th>8%</th>
<th>10%</th>
<th>12%</th>
<th>16%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0.94</td>
<td>0.93</td>
<td>0.91</td>
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<td>2</td>
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<td>0.75</td>
<td>0.71</td>
<td>0.64</td>
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<tr>
<td>4</td>
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<td>0.74</td>
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<td>0.64</td>
<td>0.55</td>
</tr>
<tr>
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<td>0.68</td>
<td>0.62</td>
<td>0.57</td>
<td>0.48</td>
</tr>
</tbody>
</table>

Question One (40 marks):

For each of the following 1–2 items, indicate which part will be affected in the pro-forma cash flow statement.

1. The purchase of a new delivery truck to be used in the business
   a) Operating       b) Investing      c) Financing

2. An increase in the balance in Accounts Payable
   a) Operating       b) Investing      c) Financing

3. Which of the following models for evaluating capital expenditures considers the time value of money by discounting the future cash flows?
   a) Accounting Rate of Return  b) Internal Rate of Return  c) Payback period

4. A $100,000 investment will be made on January 1, 2010. The cash generated from this investment is expected to be received uniformly during each year. The yearly amounts are: $50,000 in year 2010; $40,000 in year 2011; $60,000 in year 2012. What is the expected payback period?
   a) 2.0 years       b) 2.1 years       c) 2.17 years

5. A company is contemplating an investment of $100,000 on January 1, 2010 that will return cash of $50,000 on December 31, 2010; $40,000 on December 31, 2011; and $60,000 on December 31, 2012. Using the present value of 1 factors for 16% (see above), the net present value of this investment is
   a) $11,000         b) $100,000       c) $111,000

6. If you invest $15,300 today and receive $10,000 at the end of one year and $10,000 at the end of four years, what is the internal rate of return on your investment?
   a) 8%       b) 10%      c) 12%
15. What is the company’s contribution margin ratio?
   a) 30%  b) 70%  c) Cannot be determined

16. What is the break-even point in dollars?
   a) $77,000  b) $110,000  c) $120,000

17. If the company wants to earn a profit of $35,000 instead of breaking even, what is the
   amount of sales or revenue dollars the company must achieve?
   a) $112,000  b) $145,000  c) $373,333

Use this information to answer questions 18 through 20:

Selling Price per unit $17

Fixed Expenses
Selling & Administrative $130,000
Interest Expense $10,000

Variable Expenses
Cost of Goods Sold $4
Selling & Administrative $3

18. What is the company’s contribution margin?
   a) $10  b) $13  c) $14

19. What is the break-even point in units?
   a) 10,000  b) 14,000  c) 20,000

20. If the company wants to earn a profit of $42,000 instead of breaking even, what is the
    number of units the company must sell?
    a) 14,000  b) 18,200  c) 26,000

**Question Two: (30 marks)**

A Company is considering the possibility of opening a new business. It expects sales to be $600,000 in the first year and expects that the variable costs will be approximately 50% of sales and fixed costs will be $200,000 and taxes at 30%. The Company is considering two ways of financing the firm as follow:

- Plan A: 20% equity financing (common shares) and 80% debt (bonds) at 10% interest.
- Plan B: 80% equity financing (common shares) and 20% debt (bonds) at 10% interest.

Either way of finance, the company will need to raise $1,000,000. The common share can be sold to the stock market for $10 per share. The company expects dividends a year to be $1.00 with a growth rate 5% next year and into the foreseeable future. Flotation costs for issuing new stock is $0.50/SHARE.

**Required:** Based on the information given above:

1. Compare between the two plans using the earning per share for each plan.
2. Compare between the cost of finance using the WACC of each plan.
South Valley University – Faculty of Commerce
Business Administration Department
Financial Management Exam - January 2011
Time allowed three hours – 100 marks

Fourth Year

Answer all questions (exam in 3 pages)

Question One: (20 marks) Chose the right answer and arrange in a table showing the number of question and the right answer from a, b and c.

1. Net working capital is the difference between current assets and current liabilities.
   a) true  b) false
2. Depreciation is an accounting entry and does not involve a cash expense
   a) true  b) false
3. Return on equity will be higher than return on assets if there is debt in the capital structure.
   a) true  b) false
4. Financial leverage primarily affects the left-hand side of the balance sheet.
   a) true  b) false
5. If a company requires a profit of $30,000 (instead of breaking even), the $30,000 should be combined with the fixed expenses in order to compute the point at which the company will earn $30,000.
   a) true  b) false
6. As the contribution margin rises, the breakeven point goes down.
   a) true  b) false
7. The key initial element in developing pro forma statements is
   a) a cash budget.  b) an income statement.  c) a sales forecast.
8. The concept of operating leverage involves the use of __________ to magnify returns at high levels of operation.
   a) fixed costs  b) variable costs  c) marginal costs
9. In break-even analysis the contribution margin is defined as
   a) sales minus variable costs.  b) sales minus fixed costs.  c) variable costs minus fixed costs.
10. Which of the following models for evaluating capital expenditures considers the time value of money by discounting the future cash flows?
    a) Accounting Rate of Return  b) Net present value  c) Payback period

Question Two: (28 marks)

Use the following information to answer items (from 1 to 8):
Total current assets $100,000  Total current liabilities $50,000  Total long term assets $500,000  Total long term liabilities $450,000  Sales $500,000  Receivables $400,000  Cost of goods sold $250,000  Operating expenses $100,000  Interest expense $50,000  Beginning Inventory $200,000  Ending Inventory $300,000.

1. Gross profit margin is ________________
2. Net profit margin is ________________
3. Current ratio is ________________
4. Quick ratio is __________
5. Inventory turnover ratio is __________
6. Inventory period is __________
7. Return on assets is __________
8. The debt ratio is __________

A company is contemplating an investment of $100,000 on January 1, 2010 that will return cash of $50,000 on December 31, 2011; $40,000 on December 31, 2012; and $60,000 on December 31, 2013.

9. What is the expected payback period?
10. Using the present value of 1 factors for 16%, the net present value of this investment is __________

11. If you invest $15,300 today and receive $10,000 at the end of one year and $10,000 at the end of four years, what is the internal rate of return on your investment?

Use this information to answer questions 12 through 14:

<table>
<thead>
<tr>
<th>Fixed Expenses</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Rent</td>
<td>$40,000</td>
</tr>
<tr>
<td>Salaries</td>
<td>$50,000</td>
</tr>
<tr>
<td>Depreciation</td>
<td>$13,000</td>
</tr>
<tr>
<td>Variable Expenses</td>
<td>66% of price</td>
</tr>
</tbody>
</table>

12. What is the company's contribution margin ratio?
13. What is the break-even point in dollars?
14. If the company wants to earn a profit of $35,000 instead of breaking even, what is the revenue dollars the company must achieve?

**Question Three: (32 marks)**

A Company is considering the possibility of opening a new business with the end of this year. It expects two scenarios of first year sales ($600,000 and $900,000) and expects that the variable costs will be approximately 50% of sales and fixed costs will be $200,000 and taxes at 30%.

The Company is considering two ways of financing the firm as follow:

- Plan A - 20% equity financing (common Shares) and 80% debt (bonds) at 10% interest.
- Plan B - 80% equity financing (common Shares) and 20% debt (bonds) at 10% interest.

Either way of finance, the company will need to raise $1,000,000 for establishing the new business. The common shares can be sold to the stock market for $10 per share. The company expects dividends this year to be $1.00 with a growth rate 5% next year and into the foreseeable future. Flotation costs for issuing new stock is $0.50/SHARE.

**Required:** Based on the information given above:

1) Compare between the two plans in profitability using the EBIT and EPS (Earnings per share) for each plan.
2) Compute the degree of operating leverage for each plan.
3) Compute the degree of financial leverage for each plan.
4) Compare between the costs of finance of each plan using the WACC of each plan.

**Question Four: (20 marks):**

Nova Ltd is a wholesale business. The budgeted income statements for each of the six months starting Jan 2011 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Jan £'000</th>
<th>Feb £'000</th>
<th>Mar £'000</th>
<th>Apr £'000</th>
<th>May £'000</th>
<th>June £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales revenue</td>
<td>52</td>
<td>55</td>
<td>55</td>
<td>60</td>
<td>55</td>
<td>53</td>
</tr>
<tr>
<td>Cost of goods sold</td>
<td>30</td>
<td>31</td>
<td>31</td>
<td>35</td>
<td>31</td>
<td>32</td>
</tr>
<tr>
<td>Salaries and wages</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Electricity</td>
<td>5</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Depreciation</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Other overheads</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Total expenses</td>
<td>50</td>
<td>51</td>
<td>50</td>
<td>53</td>
<td>49</td>
<td>50</td>
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<tr>
<td>Net profit</td>
<td>2</td>
<td>4</td>
<td>5</td>
<td>7</td>
<td>6</td>
<td>3</td>
</tr>
</tbody>
</table>

**Notes:**

1. The business allows all of its customers one month’s credit.
2. Sales revenue during December 2010 £60,000
3. The business plans to maintain inventories at their existing level until March, when they are to be reduced by £5,000.
4. Inventories purchases are made on one month’s credit.
5. December purchases are £30,000
6. Salaries, wages and ‘other overheads’ are paid in the month concerned.
7. Electricity is paid quarterly in March and June.
8. The business plans to buy and pay for a new delivery van in March. This will cost a total of £15,000, but an existing van will be traded in for £4,000 as part of the deal.
9. The business expects to have £12,000 in cash at the beginning of January.
10. The business desires a minimum ending monthly cash balance of £30,000

**Required:**

Prepare a six-month cash budget for the company ending in June 2011 showing the company plan for borrowing and repayment.

"Present value of 1" factors for solving questions that require present value computations.

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</tr>
</tbody>
</table>

**End of Questions**

*With my best wishes*

Dr. Alaa Tag-Eldin Mohamed