Shareholders' Equity

Share Capital Transactions

Use the following information for the next two questions:

Dayron Co. had 8,000 ordinary shares outstanding in January 2014. The company distributed a 15% share dividend in March and a 10% share dividend in June 2014. After acquiring 1,000 treasury shares in July 1, the company split its shares 4 for 1 in December 2014.

Question 1

How many ordinary shares are outstanding as of 12/31/2014?

- **A. 36,480**
- B. 48,800
- C. 40,480
- D. 35,480

Question 2

How many ordinary shares are issued as of 12/31/2014?

- A. 36,480
- B. 48,800
- **C. 40,480**
- D. 35,480

Question 3

The December 31, 2013 condensed statement of financial position of Ambani Services, an individual proprietorship, follows:

Current assets	P140,000
Equipment (net)	130,000
	P270,000
Liabilities	P 70,000
Mukesh Ambani, Capital	200,000
	P270,000

Fair values at December 31, 2013 are as follows:

Current assets	P160,000
Equipment	210,000
Liabilities	70,000

On January 2, 2014, Ambani Services was incorporated with 5,000, P10 par value, ordinary shares issued. How much should be credited to share premium?

A. P320,000

B. P250,000

C. P230,000
D. P200,000

Question 4
Hiro Corp. issues 1,000 5 par value ordinary shares and 1,000 20 par value preference shares for a lump sum of 60,000. At the issue date, the ordinary shares were selling for 36 and the preference shares were selling for 28. The Share Premium—Ordinary account will be credited for
A. 31,000
B. 36,000
C. 26,250
D. 28,750

Question 5
On December 1, 2011, shares of authorized common stock were issued on a subscription basis at a price in excess of par value. A total of 20% of the subscription price of each share was collected as a down payment on December 1, 2011, with the remaining 80% of the subscription price of each share due in 2012. Collectibility was reasonably assured. At December 31, 2011, the stockholders' equity section of the balance sheet would report additional paid-in capital for the excess of the subscription price over the par value of the shares of common stock subscribed and
A. Common stock issued for 20% of the par value of the shares of common stock subscribed.
B. Common stock issued for the par value of the shares of common stock subscribed.
C. Common stock subscribed for 80% of the par value of the shares of common stock subscribed.
D. Common stock subscribed for the par value of the shares of common stock subscribed.

Question 6
On December 1, 2014, Joshtin Company received a donation of 2,000 shares of its P50 par value ordinary share from a stockholder. On that date, the stock's market value was P350 per share. The stock was originally issued for P250 per share. By what amount would this donation cause total stockholders' equity to decrease?
A. 700,000
B. 500,000
C. 200,000
D. 0

Question 7
On July 1, year 1, Cove Corp., a closely held corporation, issued 6% bonds with a maturity value of 60,000, together with 1,000 shares of its 5 par value ordinary share, for a combined cash amount of 110,000. The market value of Cove's stock cannot be ascertained. If the bonds were issued separately, they would have sold for 40,000 on an 8% yield to maturity basis.

What amount should Cove report for share premium on the issuance of the stock?
A. 75,000
B. 65,000
C. 55,000
D. 45,000

Question 8
During year 1, Brad Co. issued 5,000 shares of 100 par convertible preferred stock for 110 per share. One share of preferred stock can be converted into three shares of Brad's 25 par ordinary share at the option of the preferred shareholder. On December 31, year 3, when the market value of the ordinary share was 40 per share, all of the preferred stock was converted. What amount should Brad credit to ordinary share and to share premium—ordinary share as a result of the conversion?

Ordinary share	Share premium
A. 375,000	**175,000**
B. 375,000	225,000
C. 500,000	50,000
D. 600,000	0

Question 9
On July 1, 2014, Kristine Company issued rights to stockholders to subscribe to additional shares of its ordinary share. One right was issued for each share owned. A stockholder could purchase one additional share for 10 rights plus P30 cash. The rights expired on December 31, 2014. On July 1, 2014, the market price of a share with the right attached was P40 while the market price of one right alone was P2. All stock rights were exercised on December 31, 2014. Kristine's stockholders' equity on June 30, 2014 comprised the following:

Ordinary share, P25 par value, 40,000 shares issued and outstanding	1,000,000
Share premium	600,000
Retained earnings	800,000

What is the contributed capital on December 31, 2014?
A. 2,400,000
B. 1,600,000
C. 1,100,000
D. 1,720,000

Question 10
Percy Corporation was organized on January 1, 2014, with an authorization of 1,200,000 ordinary shares with a par value of 6 per share. During 2014, the corporation had the following capital transactions:

January 5	issued 675,000 shares @ 10 per share
July 28	purchased 90,000 shares @ 11 per share
December 31	sold the 90,000 shares held in treasury @ 18 per share

Percy used the cost method to record the purchase and reissuance of the treasury shares. What is the total amount of share premium as of December 31, 2014?

A. -0-.
B. 2,070,000.
C. 2,700,000.
D. 3,330,000.

Question 11
On December 1, 2014, Abel Corporation exchanged 20,000 shares of its 10 par value ordinary shares held in treasury for a used machine. The treasury shares were acquired by Abel at a cost of 40 per share, and are accounted for under the cost method. On the date of the exchange, the ordinary shares had a fair value of 55 per share (the shares were originally issued at 30 per share). As a result of this exchange, Abel's total equity will increase by

A. 200,000.
B. 800,000.
C. 1,100,000.
D. 900,000.

Question 12
In 2013, Rose Corporation issued 50,000 shares of P10 par value ordinary share for P100 per share. In 2014, Rose acquired 2,000 of its shares at P150 per share and immediately canceled these 2,000 shares. In connection with the retirement of these 2,000 shares, Rose should debit

Share premium	Retained earnings
A. 20,000	280,000
B. 100,000	180,000
C. 180,000	**100,000**
D. 280,000	0

Question 13
The accounts below appears in the December 31, 2009 trial balance of Mara Company:

Authorized share capital	5,000,000
Unissued share capital	2,000,000
Subscribed share capital	1,000,000
Subscription receivable	400,000
Share premium	500,000
Retained earning unappropriated	600,000
Retained earning appropriated	300,000
Revaluation surplus	200,000
Treasuary share, at cost	100,000

In its December 31, 2009 statement of financial position, Mara should report total shareholder's equity at

A. 5,100,000
B. 5,500,000
C. 4,900,000
D. 4,800,000

Accounting for Dividends

Question 1

Bristol Corp.'s outstanding capital stock at December 15, 2019 consisted of the following:

- 30,000 shares of 5% cumulative preferred stock, par value P10 per share, fully participating as to dividends. No dividends were in arrears.
- 200,000 shares of common stock, par value P1 per share.

On December 15, 2019, Bristol declared dividends of P100,000. The amount of dividends payable to Bristol's common stockholders is

A. P10,000
B. P34,000
C. P40,000
D. P60,000

Question 2

The following stock dividends were declared by Sweden Company:

Percentage of common shares outstanding at declaration date	Fair Value	Par Value
10	1,500,000	1,000,000
25	4,000,000	3,500,000

The amount debited to retained earnings for these stock dividends

A. 4,500,000
B. 3,500,000
C. 5,000,000
D. 5,500,000

Question 3
On January 1, 2014, Easy Company had ordinary and preference shares outstanding. The incorporators or original shareholders own ten ordinary shares but no preference shares. On December 31, 2014, the entity declared dividends on the ordinary shares. The entity decided to give the ordinary shareholders a choice between receiving a cash dividend of P500,000 per share or a property dividend in the form of a noncash asset. The noncash asset is a standard model from entity's car fleet. Each car has a fair value of P600,000. The entity estimated that 80% of the ordinary shareholders will take the option of the cash dividend and 20% will elect for the noncash asset. What is the dividend payable that should be recognized on December 31, 2014?

A. P5,500,000
B. P5,200,000
a.

C. P4,000,000
D. P6,000,000

Question 4
On January 2, 2014, Simpson Co.'s board of directors declared a cash dividend of P400,000 to shareholders of record on January 18, 2014, payable on February 10, 2014. Selected data from Simpson's December 31, 2013 statement of financial position are as follows:

Accumulated depletion	P100,000
Share capital	500,000
Share premium	150,000
Retained earnings	300,000

The P400,000 dividend includes a liquidating dividend of
A. P 0
B. P100,000
C. P150,000
D. P300,000

Accumulated Profits
Question 1
Selected information from the accounts of Ian Co. at December 31, 2015 follows:

Total income since incorporation	P420,000
Total cash dividends paid	130,000
Total value of property dividends distributed	30,000
Excess of proceeds over cost of treasury shares sold, accounted for using the cost method	110,000

In its December 31, 2015 financial statements, what amount should Ian report as Accumulated Profits?

- **a. 260,000**
- b. 290,000
- c. 370,000
- d. 400,000

Question 2

Cerritos Corporation began operations on January 1, 2011. During its first three years of operations, Cerritos reported net income and declared dividends as follows:

	Net income	Dividends declared
2011	P80,000	P 0
2012	250,000	100,000
2013	300,000	100,000

The following information related to 2014:

Income before income tax	P480,000
Prior period adjustment: understatement of 2012	
Cumulative decrease in income from change in	
Dividends declared (of this amount, P50,000 will be	
Effective tax rate	35%

As at December 31, 2014, the retained earnings of Cerritos Corporation is

- A. P520,500
- B. P484,500
- C. P430,000
- **D. P470,500**

Question 3

Kevin Company sustained heavy losses for several years and underwent quasi-reorganization via recapitalization on December 31, 2019. The entity provided the following information:

	Fair Value	Carrying Amount
Inventory	5,700,000	6,000,000
Equipment	7,200,000	8,000,000

The share capital is P6,000,000 with a P6 par value, share premium is P1,500,000 and the deficit is P6,200,000 before the adjustments. The par value is reduced by 1/3 of the original amount. What must the shareholders contribute in order to eliminate the deficit?

- A. 0
- B. 1,800,000
- **C. 3,800,000**
- D. 6,200,000

Other Comprehensive Income

Question 1

Searles does not elect the fair value option for recording financial assets and liabilities. What amount of comprehensive income should Searles Corporation report on its statement of income and comprehensive income given the following net of tax figures that represent changes during a period?

Pension liability adjustment recognized in OCI	$ (3,000)
Unrealized gain on available-for-sale securities	15,000
Reclassification adjustment, for securities gain included in net income	(2,500)
Stock warrants outstanding	4,000
Net income	77,000

A. $86,500
B. $89,000
C. $89,500
D. $90,500

Book Value per Share

Question 1

Manggahan Company's shareholders' equity at December 31, 2019 consisted of the following:

8% cumulative preference share, P50 par, liquidating value, P55 per share; issued and outstanding, 20,000 shares	P1,000,000
Ordinary share, P25 par, 100,000 shares issued and outstanding	2,500,000
Accumulated profits	400,000

Dividends on preference share have been paid through 2018 but have not been declared for 2019. At December 31, 2019, how much is the book value per ordinary share of Manggahan Company?

A. P25.00
B. P28.20
C. P27.20
D. P29.00

Question 2

BPS Company's shareholders' equity on December 31, 2019:

6% non-cumulative preference shares, P100 par, liquidation value P105	P	1,000,000
Ordinary share capital, P60 par		3,000,000
Retained earnings		950,000
		4,950,000

The book value per ordinary share is

A. 76.80
B. 77.80
C. 78.00
D. 74.25

Question 3
The shareholders' equity of Kristine Company on December 31, 2013 consisted of the following:

Preference share capital, P100 par value, 12% annual dividend	P5,000,000
Ordinary share capital, P100 par	15,000,000
Share premium	3,000,000
Retained earnings	4,000,000

The preference share is noncumulative and nonparticipating with a liquidation value of P120 per share. Preference dividends have been paid up to December 31, 2013. What is the book value per share of ordinary?

A. P140.00
B. P136.00
C. P146.67
D. P142.67

Use the following information for the next two questions.
The equity section of the statement of financial position of the Guts Company on December 31, 2013 shows following items:

6% Cumulative preference share capital, P100 par value (liquidation value, P115 per share); Authorized, 6,000 shares; issued, 4,000 shares; in treasury, 600 shares	P400,000
Ordinary share capital, P100 par value, authorized, 20,000 shares; issued and outstanding, 8,000 shares	800,000
Share premium – preference shares	150,000
Share premium – ordinary shares	165,000
Retained earnings	458,600
Reserve for bond retirement	320,000
Treasury shares - preference, at cost	84,000

Question 4
The book value per share of ordinary is

A. P121.00
B. P223.70
C. P224.78
D. P223.65

Question 5
Assuming the preference share is participating, the book value per share of ordinary is
A. P204.35
B. P223.70
C. P189.35
D. P187.56

Earnings per Share
Question 1
Dogman Company had 250,000 ordinary shares outstanding on January 1, 2018. During 2018 and 2019, the following transactions took place.

2018	March 1	Sold 24,000 shares
	July 1	Issued a 20 percent stock dividend
	October 1	Sold 16,000 shares
	December 1	Purchased 15,000 shares to be held in treasury
2019	June 1	3 for 1 split
	September 1	Sold 60,000 shares

For earnings per share computation, what is the weighted average number of shares for 2018 and 2019, respectively for comparative financial statements at the end of 2019?

	2018	2019		2018	2019
A.	**980,250**	**1,009,400**	C	984,000	1,169,400
B.	329,800	1,049,400	D.	969,000	989,400

Question 2
Urdaneta Company reported the following capital structure at year-end.

	2018	2019
Ordinary shares	500,000	500,000
Convertible preference shares	100,000	100,000
10% convertible bonds payable	P3,000,000	P3,000,000

During 2019, the entity paid the annual dividend of P5 per share on the preference share. The preference shares are convertible into 200,000 ordinary shares and the 10% bonds are convertible into 100,000 ordinary shares. Net income for 2019 was P5,000,000. The tax rate is 30%. What amount should be reported as diluted earnings per share?
A. 6.51
B. 6.25

C. 7.85
D. 9.00

IFRS 2 – Share-based Payments

Question 1

The Palau Company has issued a range of share options to employees. In accordance with PFRS 2 Share-based payment, what type of share-based payment transaction does this represent?

A. Asset-settled share-based payment transaction
B. Cash-settled share –based payment transaction
**C. **
D. Liability -settled share – based payment transaction

Question 2

The TBB Company has entered into a contract with The Galilee Company. Galilee will supply TBB with a range of services. The payment for those services will be in cash and based upon the price of TBB's ordinary shares on completion of the contract. In accordance with IFRS 2 Share-based payment, what type of share-based payment transaction does this represent?

A. Asset-settled share-based payment transaction
B. Cash-settled share-based payment transaction
C. Liability-settled share-based payment transaction
D. Equity-settled share-based payment transaction

Question 3

In accordance with PFRS 2 Share-based payment, how, if at all, should an entity recognize the change in the fair value of the liability in respect of a cash-settled share-based payment transaction?

A. Should not recognize in the financial statements but disclose in the notes thereto
B. Should recognize in the statement of changes in equity
C. Should recognize in other comprehensive income
D. Should recognize in profit or loss

Question 4

Under IFRS2 Share-based payment, in which ONE of the following will a cash-settled share-based payment give rise to an increase?

A. A current asset
B. A non-current asset
C. A liability
D. Equity

Question 5
On January 1, 2018, Norren Company granted key executives 160,000 share options at an option price of P35 per share. Market prices of the shares where P46 and P51 on December 31, 2018 and 2019 respectively. The options where granted as compensation for services to be rendered over a two-year period beginning January 1, 2018. The Black-Scholes option pricing model determined total compensation expense to be P1,600,000. What amount of compensation expense should be recognized for 2019?

A. 800,000
B. 1,600,000
C. 1,760,000
D. 2,800,000

Question 6
In connection with a share option plan, Ward Company intends to distribute treasury shares when the options are exercised. These shares were bought in 2018 at P42 per share. On January 1, 2019, the entity granted share options for 10,000 shares at P38 per share as additional compensation for services to be rendered over the next three years. The options are exercisable during a four-year period beginning January 1, 2022 by grantees still employed. Market prices was P47 per share at the grant date. No share options were terminated during 2019. What amount should be reported as compensation expense pertaining to the options for 2019?

A. 0
B. 30,000
C. 40,000
D. 90,000

Question 7
On January 1, 2019, Morey Company granted the president, 20,000 share appreciation rights for past services. Those rights are exercisable immediately and expire on January 1, 2022. On exercise, the grantee is entitle to receive cash for the excess of the market price on the exercise date over the market price on the grant date. The grantee did not exercise any of the rights during 2019. The market price of share was P30 on January 1, 2019 and P45, on December 31, 2019. What amount should be recognized as compensation expense for 2019?

A. 0
B. 100,000
C. 300,000
D. 600,000

Question 8
On January 1, 2019, Plane Company purchased an equipment for the cash price of P5,000,000. The supplier can choose how the purchase is to be settled. The choices are 50,000 shares with par value of P50 in one year time or a cash payment equal to market value of 40,000 shares on December 31, 2019. At grant date on January 1, 2019, the market price is P110 and on the date of settlement on December 31, 2019, the market price of each share is P130. Compute for the following:

	Equity component	Interest expense if supplier chooses cash alternative	Share premium if supplier chooses share alternative
A.	500,000	600,000	5,000,000
B.	400,000	400,000	4,400,000
C.	600,000	800,000	2,500,000
D.	0	0	4,000,000

Question 9
January 1, 2019, BAUTISTA Company grants to its employees rights to choose either 1,200 phantom shares (cash payment equal to the value of 1,200 shares) or 1,500 shares. The grant is conditional upon the completion of three years of service. If the employee chooses the share alternative, the shares must be held for three years after the vesting date. At grant date, the BAUTISTA Company's share price was P62 per share. At the end of 2019, 2020 and 2021 the share prices were P64, P63 and P66 respectively. After taking into account the post-vesting transfer restrictions, BAUTISTA Company estimates that the fair value at grant date of the share alternative was P53. The amount reported as compensation expense in BAUTISTA Company's 2019 income statement is

A. 27,300
B. 29,200
C. 30,100
D. 33,700

IAS 23 - Borrowing Costs

Question 1
PAS 23 defines qualifying assets as assets that necessarily takes a substantial period of time to get it ready for its intended use or sale. Which of the following is not a qualifying asset?

A. Building that will take three years to construct
B. Inventories such as wine and cigars
C. Machinery that is purchased under a three-year installment period
D. Manufacturing plant and power generation facilities

Question 2
Capitalization of borrowing costs

A. Shall be suspended during temporary periods of delay
B. May be suspended only during extended periods of delay in which active development is delayed
C. Should never be suspended once capitalization commences
D. Shall be suspended only during extended periods of delays in which active development is delayed

Use the following information for the next five questions:

Bautista Company is constructing a building. Construction began on January 1 and was completed on December 31. Expenditures were 2,400,000 on March 1, 1,980,000 on June 1, and 3,000,000 on December 31. Bautista Company borrowed 1,200,000 on January 1 on a 5-year, 12% note to help finance construction of the building. In addition, the company had outstanding all year a 10%, 3-year, 2,400,000 note payable and an 11%, 4-year, 4,500,000 note payable.

Question 3
What are the weighted-average accumulated expenditures?

A. 4,380,000
B. 3,155,000
C. 7,380,000
D. 3,690,000

Question 4
What is the weighted-average interest rate used for interest capitalization purposes?

A. 11%
B. 10.85%
C. 10.5%
D. 10.65%

Question 5
What is the avoidable interest for Bautista Company?

A. 144,000
B. 463,808
C. 164,281
D. 352,208

Question 6
What is the actual interest for Bautista Company?

A. 879,000
B. 891,000
C. 735,000
D. 352,208

Question 7
What amount of interest should be charged to expense?

A. 382,792
B. 735,000
C. 526,792
D. 415,192

IFRS 16 - Leases

Use the following information for the next two (2) questions:

Your auditing firm has been engaged to audit the BTS Company. As the one of the staff, you were assigned to perform procedures on the company's leasing activities.

Based on your inspection of relevant documents, you noted the following:

- BTS Company entered into a contract on 1 January 2021 for 10 years, annual rental payments are P10,000 (exclusive of VAT and withholding tax) in arrears (that is, 31 December each year).
- The useful life of underlying asset is 25 years
- BTS Company's incremental borrowing rate is 6%.

Question 1
How much is the interest expense recognized in 2022?

A. ₱4,081
B. ₱3,726
C. ₱3,349
D. ₱5,919

Question 2
How much is the lease liability and right-of use asset as of December 31, 2023?

	Lease Liability	Right-of-use
A.	₱55,824	₱51,521
B.	₱62,098	₱51,521
C.	₱49,173	₱44,161
D.	₱42,124	₱44,161

Question 3
On October 1, 2022, Nova Company leased office space at a monthly rental of P35, 000 for ten years expiring on September 30, 2032. Payment is made at the start of every month. As an inducement to enter into the lease, the lessor permitted the lessee to occupy the premises rent-free from October 1, 2022 to December 31, 2022. This office space is considered as low-value assets. On December 31, 2023, what amount should be recognized as accrued rent payable?

A. 0
B. 102,375
C. 91,875
D. 409,500

Question 4
Orville Company is a dealer in equipment. The entity leased equipment to a lessee on January 1, 2016 for an eight-year period expiring January 1, 2024. Equal annual payments under the lease are due at the end of each year beginning December 31, 2016. The lease agreement included a guaranteed residual value of P200, 000 and an implicit rate of 10%. It was determined that the fair value of the asset is P3,000,000, the carrying amount is P2,500,000 and that the present value of the minimum lease payment at 10% is P2,760,900. The PV of 1 at 10% for 8 periods is 0.467, and the PV

of an ordinary annuity of 1 at 10% for 8 periods is 5.335. What is the total financial revenue over the lease term?

A. 1,379,156
B. 1,498,594
C. 1,439,100
D. 1,558,538

Question 5

On January 1, 2016, Yole Company signed a 10-year non-cancellable lease agreement to lease equipment to Warehouse Company. The agreement required equal rental payments at the each of each year beginning December 31, 2016. The fair value of the building on January 1, 2016 is P6, 000,000 and the carrying amount is P5, 000,000. The equipment has an estimated economic life of 10 years with no residual value. At the termination of the lease, the title to the building will be transferred to the lessee. The lessee's incremental borrowing rate is 11%. The lessor determined the annual rental to insure a 10% rate of return which is known to the lessee. What total amount of income should the lessor recognize in 2016 if the transaction is treated as sales type?

A. 1,000,000
B. 1,600,000
C. 1,500,000
D. 1,660,000

IAS 12 - Income Taxes

Question 1

RGS Inc.'s financial reporting basis of its plant assets exceeded the tax basis because it uses a different method of reporting depreciation for financial reporting purposes and tax purposes. If there is no other temporary differences, RGS should report a

A. Current tax asset
B. Deferred tax liability
C. Deferred tax asset
D.Current tax payable

Question 2

The deferred tax consequence attributable to a deductible temporary difference and operating loss carryforward is known as a deferred

A. Tax expense.
B. Tax asset
C. Tax benefit.
D. Tax liability

Question 3

It is the amount of income tax paid or payable for the year as determined by applying the provisions of the enacted tax law to the taxable income.

A. Current tax expense
B. Deferred tax benefit
C. Deferred tax expense
D. Income tax expense

Question 4
Which of the following differences would result in future taxable amounts?

A. Expenses or losses that are deductible after they are recognized in financial income
B. Revenues or gains that are taxable before they are recognized in financial income
C. Expenses or losses that are deductible before they are recognized in financial income
D. Revenues or gains that are recognized in financial income but are never included in taxable income

Question 5
A deferred tax liability is computed using

A. The current tax laws, regardless of expected or enacted future tax laws.
B. Expected future tax laws, regardless of whether those expected laws have been enacted.
C. Current tax laws, unless enacted future tax laws are different.
D. Either current or expected future tax laws, regardless of whether those expected laws have been enacted.

Question 6
According to PAS 12, deferred tax assets and liabilities should be reported in the balance sheet

A. as current and non-current assets and liabilities depending the balance sheet classification
B. of the related tax basis of the temporary difference
C. as current and non-current depending on the order of liquidity or maturity
D. as non-current asset and non-current liability
E. always net non-current asset or net non-current liability

Use the following information for the next four questions:
Maryheights Company prepared the following reconciliation of income per books with income per tax return for its first year of operations the year ended December 31, 2019.

Book income before income taxes		P 50,000
Add: Future deductible amounts		
______________________	______	
______________________	______	(1)
Less: Future taxable amounts		
______________________	______	

____________________	______	(2)
Taxable income		_____

- Maryheights Company acquired an equipment at a cost of P500,000 on January 1, 2019. Depreciation was recorded using the straight-line method with no expected residual value for an estimated useful life of 5 years. For tax purposes, the double-declining balance method was used.
- Sales, cost of sales, operating expenses are recognized under the accrual method for both financial and tax reporting purposes, except for the following items:
  a. Rent income is recognized for financial reporting is recognized under accrual, for tax purposes rent is recognized when collected. In 2019, Maryheights Company reported rent income of P140,000, while rent collected totaled to P90,000
  b. Warranty costs are recognized for financial reporting purposes under the accrual method and provide an expense equal to 5% of selling price. For tax purposes, warranty costs are recognized when actual payment is made. Total warranty expenditures for 2019 was P320,000. At year end, Maryheights Company reported an estimated warranty obligation of P40,000.
- Bad debts expense reported during the year for financial reporting was P65,000. For tax purposes, bad debts are recognized as deductions only upon write-off which amounted to P30,000 during the year.
- Maryheights Company is under a tax jurisdiction that allows operating losses to be carried over in the future. The current and future tax rate is at 30%

Question 7
Temporary difference resulting into future deductible amounts in 2019 is
A. 75,000
B. 85,000
C. 140,000
D. 150,000

Question 8
Temporary difference resulting into future taxable amounts in 2019 is
A. 125,000
B. 135,000
C. 140,000
D. 150,000

Question 9
The deferred tax liability reported in the December 31, 2019 statement of financial position is
A. 15,000
B. 22,500

C. 30,000
D. 45,000

Question 10
The deferred tax asset reported in the December 31, 2016 statement of financial position is
A. 15,000
B. 22,500
C. 30,000
D. 45,000

Use the following information for next two questions:
The following information was provided to you by Campus Company

	Book value	Tax base
Receivable	150,000	200,000
Building – net	300,000	100,000
Machinery and equipment - net	500,000	550,000
Unearned revenue	100,000	-
Estimated warranty obligation	80,000	-

Current and future tax rate 30%. Taxable income for the year P300,000.

Question 11
12. Deferred tax asset
A. 60,000
B. 84,000
C. 30,000
D. 90,000

Question 12
Deferred tax liability
A. 60,000
B. 84,000
C. 30,000
D. 90,000

IAS 19R - Employee Benefits
Use the following information for the next five questions:
An entity's employees are each entitled to 20 days of paid holiday leave per calendar year. Unused holiday leave cannot be carried forward and does not vest. The entity's annual reporting date is 31 December.

Question 1
The holiday leave is

a. a short-term employee benefit
b. an other long-term employee benefit
c. a post-employment benefit
d. a termination benefit

Question 2
Consider the preceding information. However, in this question, unused holiday leave is paid on 31 December of each year (ie it vests at the end of each calendar year but does not accumulate). The holiday leave is

a. a short-term employee benefit
b. an other long-term employee benefit
c. a post-employment benefit
d. a termination benefit

Question 3
Consider the preceding information. However, in this question, unused holiday leave may be carried forward for one calendar year (ie it accumulates but does not vest). The holiday leave is

a. a short-term employee benefit
b. a post-employment benefit
c. an other long-term employee benefit
d. a termination benefit

Question 4
Consider the preceding information. However, in this question, unused holiday leave may be carried forward for two calendar years (ie it accumulates but does not vest). The holiday leave is

a. a short-term employee benefit
b. a post-employment benefit
c. an other long-term employee benefit
d. a termination benefit

Question 5
Consider the preceding information. However, in this question, unused holiday leave may be carried forward until the employee leaves the employment of the entity, at which time the entity will pay the employee for all unused holiday leave (ie it accumulates and vests). The holiday leave is

a. a short-term employee benefit
b. a post-employment benefit
c. an other long-term employee benefit
d. a termination benefit

Question 6

An entity made a public announcement of its commitment to a voluntary redundancy plan. The entity has an obligation to pay employees that choose voluntary redundancy a lump sum equal to twice their gross annual salary. The obligation to pay employees that choose voluntary redundancy is

a. a short-term employee benefit
b. a post-employment benefit
c. an other long-term employee benefit
d. a termination benefit

Question 7

Icar Company pays all employees on a biweekly basis. Overtime pay, however, is paid in the next biweekly period. Icar Company accrues salaries expenses only at its December 31 year-end. Data relating to salaries earned in December 31, 2019 are as follows:

- Last payroll was paid on December 26, 2019 for the 2-week period ended December 26, 2019.
- Overtime pay earned in the 2-week period ended December 26, 2019 was P10,500.
- Remaining work days in 2019 were December 29, 30, and 31, on which days, there was no overtime.
- The recurring biweekly salaries total P187,500.

Assuming a five-day workweek, what amount should Icar Company record as accrued salaries at December 31, 2019?

A. P56,250
B. P66,750
C. P112,500
D. P123,000

Use the following information for the next four questions:

Ultimate Company provided the following information for 2016:

	January 1	December 31
Fair value of plan assets	2,600,000	3,000,000
Projected benefit obligation	2,000,000	2,100,000
Prepaid/accrued benefit cost-surplus	600,000	900,000
Asset ceiling	200,000	300,000
Effect of asset ceiling	400,000	600,000
Current service cost		100,000
Contribution to the plan		350,000
Benefits paid		150,000
Discount rate		10%

Question 8
What is the actual return on plan assets for the current year?

A. 200,000
B. 350,000
C. 150,000
D. 260,000

Question 9
What is the actual gain due to decrease in PBO?

A. 50,000
B. 40,000
C. 30,000
D. 0

Question 10
What is the employee benefit expense for 2016?

A. 200,000
B. 100,000
C. 80,000
D. 40,000

Question 11
What is the net remeasurement loss in 2016?

A. 110,000
B. 220,000
C. 270,000
D. 170,000

IAS 34 - Interim Reporting

Question 1
Which statement is correct concerning interim financial reporting?

I. PAS 34 mandates which entitles are required to publish interim financial reports, how frequently, or how soon after the end of an interim period.
II. Entities that provide interim financial reports in conformity with generally accepted accounting principles shall conform to the recognition, measurement and disclosure principles set out in the standard.

A. I only
B. II only
C. Both I and II
D. Neither I nor II

Question 2
PAS 34 encourages publicly traded entities to provide interim financial reports

A. At least at the end of the half year and within 60 days of the end of the interim period.
B. Within a month of the half year- end.

C. On a quarterly basis.
D. Whenever the entity wishes.

Question 3
Are the following statements in relation to an interim financial report true or false, according to PAS 34?

Statement 1: An interim financial report may consist of a complete set of financial statements.

Statement 2: An interim financial report may consist of a condensed set of financial statements.

A. False , False
B. False, True
C. True, False
D. True, True

Question 4
The following statements relate to interim reporting. Which statement is true?

I. It is necessary to count inventories in full at the end of each interim period.
II. The net realizable value of inventories is determined by reference to selling prices at the interim date.

A. I only
B. II only
C. Both I and II
D. Neither I nor II

Question 5
Dogman Company's P190,000 net income for the quarter ended September 30, 2019 included the following after tax items:

- A P120,000 gain on disposal of equipment, realized on April 30, 2019 was allocated equally to the 2nd, 3rd and 4th quarters.
- A P32,000 cumulative effect loss resulting from a change in inventory valuation method was recognized on August 4, 2019.
- In addition, Dogman Company paid P96,000 on February 1, 2019, for 2019 calendar year property taxes, of this amount, P24,000 was allocated to the 3rd quarter of 2019.

For the quarter ended September 30, 2019, how much should Dogman report as net income?

A. P182,000
B. P222,000
C. P206,000
D. P230,000

Question 6

Rica Co., a calendar-year corporation, reported income before income tax expense of 10,000 and income tax expense of 1,500 in its interim income statement for the first quarter of the year. Rica had income before income tax expense of 20,000 for the second quarter and an estimated effective annual rate of 25%. What amount should Rica report as income tax expense in its interim income statement for the second quarter?

A. 3,500
B. 5,000
C. 6,000
D. 7,500

Question 7

Icar Company operates in the travel industry and incurs costs unevenly through the financial year. Advertising costs of P1 million were incurred on March 1, 2019, and staff bonuses are paid at year-end based on sales. Staff bonuses are expected to be around P20 million for the year. Of the sum, P3 million would relate to the period ending March 31, 2019. What costs should be included in the entity's quarterly financial report for the interim period ending March 31, 2019?

A. Advertising costs P1 million; staff bonuses P5 million.
B. Advertising costs P0.25 million; staff bonuses P5 million.
C. Advertising costs P1 million; staff bonuses P3 million.
D. Advertising costs P0.25 million; staff bonuses P3 million.

Question 8

PonyTail Company prepares quarterly interim financial reports. The entity sells electrical goods and normally 5% of customers claim on their warranty. The provision in the first quarter was calculated as 5% of sales to date, which was P10 million. However, in the second quarter, a design fault was found and warranty claims were expected to be 10% for the whole year. Sales in the second quarter were P15 million. What would be the provision charged in the second quarter's interim financial statements?

A. 2,000,000
B. 1,500,000
C. 1,250,000
D. 750,000

Question 9

Math5c Company incurred an inventory loss from market decline of P800,000 on March 31, 2019. The market decline is expected to recover during the year.

What amount of inventory loss should be reported in the quarterly income statement ending March 31, 2019?

A. 800,000
B. 200,000
C. 400,000
D. 0

IFRS 8 – Operating Segments

Question 1

Revolution Company has expanded rapidly and segment reporting is now required. The entity has no intersegment sales. The following data are for the year ended December 31, 2019:

Operating segment	Segment revenue	Operating profit (loss)	Identifiable assets
1	620,000	200,000	400,000
2	100,000	20,000	80,000
3	340,000	70,000	300,000
4	190,000	(30,000)	140,000
5	180,000	(25,000)	180,000
6	70,000	10,000	120,000
7	120,000	(20,000)	140,000
Others	380,000	(25,000)	140,000

- The "others" category includes five operating segments, none of which has revenue or assets greater than P80,000 and none with an operating profit.
- Operating Segments 1 and 2 produce very similar products and use very similar production processes, but serve different product distribution system. These differences are due to the fact that Segment 2 operates in a regulated environment while Segment 1 does not.
- Operating Segments 6 and 7 have very similar products, production processes, product distribution systems, but are organized as separate divisions since they serve substantially different types of customers. Neither Segments 6 and 7 operate in a regulated environment.

What are the reportable segments for the year ended December 31, 2019?

A. Segments 1, 3, 4 and 5
B. Segments 1, 3, 4, 5 and 7
C. Segments 1, 2, 3, 4 and 5
D. Segments 1, 3, 4, 5 and Segments 6 and 7 combined as one segment

Use the following information for the next two questions:

Grum Corp., a publicly owned corporation, is subject to the requirements for segment reporting. In its income statement for the year ended December 31, 2010, Grum reported revenues of 50,000,000, operating expenses of 47,000,000, and net income of 3,000,000. Operating expenses include payroll costs of 15,000,000. Grum's combined idenfiable assets of all industry segments at December 31, 2010, were 40,000,000. Reported revenues include 30,000,000 of sales to external customers.

Question 2

In its 2010 financial statements, Grum should disclose major customer data if sales to any single customer amount to at least

A. 300,000

B. 1,500,000
C. 4,000,000
D. 5,000,000

Question 3
External revenue reported by operating segments must be at least
A. 22,500,000
B. 15,000,000
C. 12,500,000
D. 37,500,000