

1. Klaus Company followed the calendar year as the accounting period. The 2018 financial statements were authorized for issue on March 15, 2019
 - On February 1, 2019, the entity determined that the total cost of the equipment purchase is P3, 700,000. The asset was purchase on November 12, 2018
 - On March 15, 2019, the entity discovered that the 2018 depreciation expense was overstated by P470,000
 - On March 20, 2019, the entity issued 100,000 ordinary shares at par of P10 per share
 - On March 27, 2019, the entity filed a case against another entity for patent infringement. The legal counsel assessed that it is probable that the entity will win the case for an amount of P550,00

What total amount should be reported as adjusting entries on December 31, 2018?

- a. 3,700,000
 - b. 4,170,000
 - c. 5,170,000
 - d. 5,720,000
2. On December 31, 2018, Mark Company presented the following current assets:

Cash	3,200,000
Accounts receivable	2,000,000
Inventory	2,800,000
Initial direct cost is leasing equipment to a lessee in a sales-type lease	200,000

The accounts receivable consisted of the following items:

Customers accounts	1,420,000
Account receivable- assigned (net of Equity of consignee in accounts assigned, P60,000)	240,000
Advance to subsidiary	260,000
Allowance for sales return	(120,000)
Claim against shipper for goods in transit	100,000
Subscription receivable due on December 31, 2019	100,000

What amount should be recognized as total current assets on December 31, 2018?

- a. 7,740,000
- b. 7,700,000
- c. 7,800,000
- d. 8,000,000

3. Omar Company presented the following information on December 31, 2018:

Cash	1,320,000
Investment securities held for trading	
including long term investment of P500,000 in ordinary shares	2,200,000
Inventories, including goods received on consignment of P200,000	
Prepaid expenses, including a deposit of P55,000 made on inventories	
to be delivered in 15 months	165,000
Property, plant & equipment	11,000,000
Goodwill, solely based on skill of employees estimated by the president	<u>1,100,000</u>
Total assets	<u>16,665,000</u>
Cash in general checking account	660,000
Sinking fund to retire bonds payable in 2020	550,000
Cash held to pay value added taxes	<u>110,000</u>
Total cash	<u>1,320,000</u>

What total amount of current assets should be reported on December 31, 2018?

- a. 3,190,000
 - b. 3,245,000
 - c. 3,740,000
 - d. 3,795,000
4. Abigail Company reported P2,450 net of tax debit reclassification adjustment of other comprehensive income in the year the securities are sold. The tax rate is 30%. What is the gain or loss that is included in income from continuing operation before income tax?
- a. 3,500 loss
 - b. 2,450 loss
 - c. 2,450 gain
 - d. 3,500 gain
5. During the current year, Steel Company retired bonds payable five years before their schedule maturity resulting in a P260,000 gain. A steel forming segment suffered P55,000 in loss due to storm surge damage during the year. Moreover, a component of Steel's operation was sold at loss of P350,000. What amount of pretax gain or loss should be reported separately as a component of income from continuing operation?
- a. 350,000 loss
 - b. 255,000 loss
 - c. 205,000 gain
 - d. 260,000 gain
6. Alyssa Company had comprehensive insurance policy which allows its assets to be replaced at current value. The policy has P250,000 deductible clause. One of the waterfront warehouse was destroyed in a hailstorm. Hail storms occur approximately every four years. The entity incurred P100,000 for dismantling the warehouse and plans to replace it the current carrying amount of the warehouse is P1,500,000 and the replacement cost is

P5,500,000. What amount of gain should be reported as a separate component of income from continuing operations

- a. 0
- b. 3,650,000
- c. 3,900,000
- d. 5,150,000

7. Merrill Company reported the following information for the current year:

Sales	575,000
Cost of sales	240,000
Administrative expenses	70,000
Loss on sale of equipment	10,000
Sales commissions	50,000
Interest revenue	25,000
Freight out	15,000
Loss on early retirement of long-term debt	20,000
Uncollectible accounts expense	15,000

The finished goods inventory was P400,000 on January 1 and P360,000 on December 31. The tax rate is 30%. What amount should be reported as income from continuing operation?

- a. 126,000
- b. 129,500
- c. 140,000
- d. 147,000

8. Shanille Company reported income before tax of P125,000 for 2018. The auditor questioned the following amounts that had been included in income before tax:

- Unrealized gain on available-for-sale investment
- Equity in earnings of Cinn Company
- Dividends received from Cinn Company
- Adjustment to profit of prior years of arithmetical error in depreciation

Shanille Company owns 40% of Cinn's ordinary shares. What amount should be reported as income before tax for 208?

- a. 85,000
- b. 112,000
- c. 117,000
- d. 152,000

9. On December 31, 2081, the Board of Directors of Max Company committed to a plan to discontinue the operations of its Under Division. The entity estimated that Underwear's 2019 operating loss would be P500,000 and that the fair value of its facilities was P300,000 less than carrying amount. Underwear's 2016 operating loss was P1,400,000 and the division was actually sold for P400,000 less than carrying amount in 2019. The effective tax rate is 30%. What amount should be reported as loss from discontinued operations in 2018?

- a. 0
- b. 980,000
- c. 1,190,000
- d. 1,400,000

10. Rachel Company reported the following for the current year:

Unrealized loss on futures contract designated as cash flow hedge	500,000
Revaluation surplus during the year	350,000
Unrealized gain on financial asset at TVTOCI	150,000
Remeasurement gain on employee benefits	120,000
Gain on translation of financial statements of a foreign corporation	150,000
Loss from change in fair value attributable to credit risk of a financial liability designated at FVTLP	200,000

In preparing the statement of comprehensive income, what net amount should be reported in other comprehensive income that may not be recycled to profit or loss?

- a. 350,000
- b. 420,000
- c. 470,000
- d. 620,000

Question 11 thru 15 based on the following information

Kristy Company used the direct method to prepare statement of cash flows:

	<u>2018</u>	<u>2017</u>
Cash	35,000	32,000
Account receivable	33,000	30,000
Inventory	31,000	47,000
Property, plant and equipment	100,000	95,000
Unamortized bond discount	4,500	5,000
Cost of goods sold	250,000	380,000
Selling expenses	141,500	172,000
General and administrative expense	137,000	151,300
Interest expense	4,300	2,600
Income tax expense	<u>20,400</u>	<u>61,200</u>
	<u>756,700</u>	<u>976,100</u>
Allowance for doubtful accounts	1,300	1,100
Accumulated depreciation	16,500	15,000
Trade accounts payable	25,000	17,500
Income taxes payable	21,000	27,100
Deferred income taxes	5,300	4,600
8% callable bonds payable	45,000	20,000
Share capital	50,000	40,000
Share premium	9,100	7,500
Retained earnings	44,700	64,600

Sales	<u>538,800</u>	<u>778,700</u>
	<u>756,700</u>	<u>976,100</u>

The entity purchased P5,000 in equipment during 2018. The entity allocated one-third of the depreciation expense to selling expense and remainder to general administrative expenses. There was no write-off of accounts receivable during 2018. What amounts should be reported in the statement of cash flows for the following:

11. Cash collected from customers?

- a. 535,800
- b. 536,000
- c. 541,600
- d. 541,800

12. Cash paid for goods to be sold?

- a. 226,500
- b. 242,500
- c. 257,500
- d. 258,500

13. Cash paid for selling expenses?

- a. 140,000
- b. 141,000
- c. 141,500
- d. 142,000

14. Cash paid for interest?

- a. 1,700
- b. 3,800
- c. 4,300
- d. 4,800

15. Cash paid for income?

- a. 15,000
- b. 19,700
- c. 20,400
- d. 25,800

16. Correy Company and its division are engaged solely in manufacturing operations.

<u>Segment</u>	<u>Revenue</u>	<u>Operating profit</u>	<u>Assets</u>
A	10,000,000	1,750,000	20,000,000
B	8,000,000	1,400,000	17,500,000
C	6,000,000	1,200,000	12,500,000

D	3,000,000	550,000	7,500,000
E	4,250,000	675,000	7,000,000
F	1,500,000	225,000	3,000,000

How many reportable segments does Correy have?

- a. Three
- b. Four
- c. Five
- d. Six

17. On June 30, 2018, Line Company incurred a P100,000 net loss from disposal of a business segment. Also on June 30, 2018, the entity paid P40,000 for property taxes assessed for the 2018. What amount should be include in the determination of net income or loss for the six-months interim period ended June 30, 2018?

- a. 70,000
- b. 90,000
- c. 120,000
- d. 140,000

18. Karen Company provided the following information on December 31, 2018:

Cash on hand	500,000
Petty cash fund	20,000
Security Bank current account	3,000,000
BDO Current account no. 1	400,000
BDO Current account no. 2	(50,000)
BSP treasury bill- 60 days	4,000,000
BPI time deposit-30 days	1,000,000

The cash on hand included a costumer postdated check of P100,000 and postal money order of P40,000. A check for P300,000 was drawn against Security Bank account, dated January 15, 2019 delivered to the payee and recorded December 31, 2018. The BPI time deposit is set aside for acquisition of equipment. What total amount of cash & cash equivalents should be reported on December 31, 2018?

- a. 7,470,000
- b. 7,770,000
- c. 8,070,000
- d. 9,070,000

19. Diane Company purchase as P2,000,000, 8% five year note that required five equal annual year-end payments of P500,900. The note was discount to yield 9%. At the date of purchase, the entity recorded the note at the present value of P1,948,500. The entity did

not elect the fair value option. What is the total interest revenue earned over the life of this note?

- a. 504,500
- b. 556,500
- c. 800,000
- d. 900,000

20. On December 1, 2018, Czarina Company gave Home Company a P200,000, 11% loan. The entity paid proceeds of P194,000 after deduction of a P6,000 non-refundable loan organization fee. Principal and interest are due in sixty monthly installments of P4,310, beginning January 1, 2019. The repayments yield an effective interest rate of 11% at an event value of P200,000 and 12.4% at a present value of P194,000. What amount of income from this loan should Money report in 2018?

- a. 0
- b. 1,833
- c. 2,0005
- d. 7,833

21. On December 31, 2018, Mariane Company received two P2,000,000 notes receivable from customers. On both, interest is calculated on the outstanding principal balance at the annual rate of 3% and payable at maturity. The first note, made under customary trade terms, is due in nine months and the second note is due in five years. The market interest rate for similar notes on December 31, 2018 was 8%. The PV of 1 at 8% due in nine months is 0.994, and the PV of 1% at 8% due in the five years is 0.68. On December 31, 2018 what total carrying amount should be reported for the two notes receivable?

- a. 3,248,000
- b. 3,360,000
- c. 3,349,000
- d. 3,564,000

22. Kathleen Bank granted a 10-year loan to a borrower in the amount of P1,500,000 with stated interest the rate of 6%. Payments are due monthly and are computed to be P16,650. The bank incurred P40,000 of direct loan organization cost. In addition, the bank charged the borrower a 4-point nonrefundable loan organization fee. What is the carrying of the loan receivable to be reported initially by the bank?

- a. 1,440,000
- b. 1,480,000
- c. 1,500,000
- d. 1,520,000

23. On December 31, 2018, Gabriel Company sold a machine in exchange for a non-interest bearing note requiring ten annual payments of P500,000. The buyer made the first payments on December 31, 2018. The market interest rate for similar notes at date of

issuance was 8%. The PV of an ordinary annuity of 1 at 8% is 6.25 for 9 period and 6.71 for 10 periods. On December 31, 2018, what is the carrying amount of the note receivable?

- a. 2,250,000
- b. 2,300,000
- c. 3,125,000
- d. 3,355,000;

24. On December 31, 2018, Macho Bank has 5-year loan receivable with a face value of P6,000,000 dated January 1, 2016 due on December 31, 2019. Interest is payable annually every December 31 at 9%. The borrower made the required interest payment on December 31, 2017 will be paid together with the principal at maturity. There is high probability that remaining interest payments will not be said. The prevailing market interest rate is 10%. What is the loan impairment loss for 2018? (Round PV factors to 2 decimals)

- a. 1,046,400
- b. 1,111,800
- c. 1,504,200
- d. 1,635,000

25. Scarbrough Company factored P600,000 of account receivable on October 1, 2018. Control was surrendered by Scarbrough. The factor accepted the accounts receivable subject to recourse for payment. The factor assessed a fee of 3% and retains a holdback equal to 5% of the receivable. In additions, the factor charge 15% interest computed on a weighted-average time to maturity of fifty-four days. The fair value of the recourse obligations P9,000. What of cash was initially received?

- a. 529,685
- b. 538,685
- c. 547,685
- d. 556,685

26. Jesus Company factored P3,000,000 of accounts receivable without recourse. The factor required an assessment fee of 10% of the accounts factored and a hold back of 15% of the accounts factored for possible sales returns and allowances. The accounts factored had related allowance for doubtful accounts of P200,000. What amount of loss on factoring should be recognized?

- a. 100,000
- b. 300,000
- c. 650,000
- d. 750,000

27. Mariel Company used the retail inventory method to estimate inventory. Data relating to the inventory computation at the year end are follows:

	Cost	Retail
Inventory, January 1	7,000,000	1,000,000

Purchases	4,100,000	6,300,000
Net markups		700,000
Net markdowns		500,000
Sales		6,600,000
Estimated normal shoplifting losses		200,000

Under the conventional retail method, what is the estimated inventory at year-end?

- a. 420,000
- b. 448,000
- c. 540,000
- d. 576,000

28. Ferdinand Company used the retail inventory method to value inventory. The following information is available for the current year:

	Cost	Retail
Beginning inventory	1,500,000	2,500,000
Purchases	7,250,000	10,000,000
Freight-in	168,250	
Net markup		425,000
Net markdown		1,035,000
Employee discounts		50,000
Sales		10,250,000
Sales discount		750,000

What is the estimated cost of ending inventory using the conventional approach?

- a. 1,097,100
- b. 1,166,100
- c. 1,590,000
- d. 1,614,600

29. Divine Company used the conservative retail method and showed the following information at year-end:

	Cost	Retail
Inventory, January 1	560,000	1,400,000
Sales		10,000,000
Purchases	4,960,000	10,320,000
Freight-in	150,000	
Markup		1,000,000
Markup cancellation		120,000
Markdown		500,000
Markdown cancellation		100,000

The estimated normal shrinkage is 5% of sales. What is the estimated cost of inventory at year-end?

- a. 765,000
- b. 945,000
- c. 990,000

d. 1,170,000

30. Aloha Company determined the following information for the inventory at year-end:

Historical cost	100,000
Current replacement cost	70,000
Net realizable value	90,000
Net realizable value less normal profit margin	85,000
Fair value	95,000

What amount should be reported as inventory at year-end?

- a. 70,000
- b. 85,000
- c. 90,000
- d. 95,000

31. John Company measured inventory at LCNRV. The entity provided the following information regarding inventory:

Historical cost	5,000,000
Estimated selling price	4,500,000
Expected selling price	4,700,000
Cost to complete and sell	250,000
Replacement cost	4,000,000

What amount should be reported as inventory at LCNRV?

- a. 4,250,000
- b. 4,000,000
- c. 4,450,000
- d. 5,000,000

32. On December 31, 2017, Erica Company experienced a decline in the value of inventory resulting in a write-down from P2,400,000 to P2,000,000. The entity used the loss method in 2017 to record the necessary adjustment. In 2017, market conditions have improved dramatically. On December 31, 2018, the inventory had a cost of P3,000,000 and NRV of P3,500,000. Cost of goods sold before LCNRV measurement for 2018 was P5,600,000. What amount so cost of goods sold should be reported for 2018?

- a. 5,100,000
- b. 5,200,000
- c. 5,600,000
- d. 6,000,000

33. On January 1, 2018, Danielle Company signed a three-year, non-cancelable purchase contract, which allows the entity to purchase up to 50,000 units of a computer part annually at P100 per unit and guarantees a minimum annual purchase of 10,000 units. During 2018, the part unexpectedly became obsolete. The entity had 25,000 units of this inventory of December 31, 2018, and believed these parts can be sold scrap for P20 per unit.

What amount of loss from the purchase commitment should be reported in 2018?

- a. 1,600,000
- b. 2,000,000
- c. 2,400,000
- d. 3,600,000

34. Drew Company used the average cost inventory method for inventory reporting purposes and LIFO for financial statement and income tax reporting. On December 31, 2018, the inventory was P375,000 using average cost and P320,000 using LIFO. The unadjusted credit balance in the LIFO Reserve account on December 31, 2018 was P35,000. What adjusting entry should be recorded to adjust from average cost LIFO on December 31, 2018?

- | | | |
|-----------------------|--------|--------|
| a. Cost of goods sold | 55,000 | |
| Inventory | | 55,000 |
| b. Cost of goods sold | 55,000 | |
| LIFO reserve | | 55,000 |
| c. Cost of goods sold | 20,000 | |
| Inventory | | 20,000 |
| d. Cost of goods sold | 20,000 | |
| LIFO reserve | | 20,000 |

35. Faith Company produces milk for sale to local and national ice cream producers. The entity began operation on January 1, 2018 by purchasing 650 milk cows for P8,000,000. The entity had the following information available at year-end relating to the cows:

Acquisition cost January 1 2018	8,000,000
Change in fair value due to growth and price changes	2,500,000
Decrease in fair value due to harvest	250,000
Milk harvested during 2018 but not yet sold	400,000

What amount of gain on change in fair value should be recognized for biological asset in 2018?

- a. 2,250,000
- b. 2,500,000
- c. 2,650,000
- d. 2,900,000

36. On March 5, 2018, Ashe Company adopted plan to accumulate P1,000,000 by September 1, 2022. The entity plans to make for equal deposits to a fund that will earn interest at 10% compounded annually. The entity made the first deposit on September 1, 2018.

Future value of at 10% for 4 periods	1.46
Future amount of ordinary annuity of 1 at 10% for four periods	4.64
Future amount of annuity in advance of 1 at 10% for four periods	5.11

What is the annual deposit to fund (rounded)?

- a. 146,000

- b. 195,700
- c. 215,500
- d. 250,000

37. On July 1, 2018, Blass Company exchanged a truck for 25,000 shares of Ace Company. On that date, the truck's carrying amount was P2,500,000, and the fair value was P3,000,000. Also the book value of Ace's share was P60. On December 31, 2018, Ace had 250,000 shares outstanding and the book value per share was P50. What amount should Blass report on December 31, 2018 as investment in Ace?

- a. 1,250,000
- b. 1,500,000
- c. 2,500,000
- d. 3,000,000

38. Shelton Company reported the following portfolio of available-for-sale securities:

Aggregate cost, 12/31/2018	150,000
Unrealized gains, 12/31/2018	14,000
Unrealized losses, 12/31/2018	26,000
Net realized gains during 2018	30,000

The entity elects the fair value option for reporting all available-for-sale securities. What total amount should be reported in the income statement for 2018?

- a. 4,000 gains
- b. 18,000 gain
- c. 30,000 gain
- d. 44,000 gain

39. On December 3, 2016, Grace Company appropriately reported P100,000 unrealized loss. There was no change during 2017 in the composition of the portfolio of equity securities designated as FVTOCI. The entity provided the following information:

<u>Security</u>	<u>Cost</u>	<u>Fair value at 12/31/15</u>
X	1,250,000	1,600,000
Y	1,000,000	900,000
Z	1,750,000	1,000,000

What unrealized loss should be reported in the statement of comprehensive income for the year ended December 31, 2017?

- a. 0
- b. 400,000
- c. 500,000
- d. 600,000

40. Trisha Company buys ten shares of securities at P1,000 each on January 12, 2018. The securities are classified as available-for-sale. The fair of the securities increase to P1,250 per share on December 31, 2018. The entity does not the fair value option for reporting available-for-sale securities. Assume no dividends are paid and the entity has a 30% tax

rate. What is the amount of the holding gain that is classified in other comprehensive income?

- a. 0
- b. 1,750
- c. 2,500
- d. 7,500

41. During the current year, Sunshine Company reported in the statement of comprehensive income P5,000 in interest revenue, P15,000 equity in associate's earnings, and P25,000 gain on sale of available-for-sale securities. Assuming the same of the securities increased the current portion of income tax expense by P10,000, what is the amount of reclassification adjustment of other comprehensive income?

- a. 2,500
- b. 5,000
- c. 15,000
- d. 7,500

42. John Company buys ten shares of securities at P2,000 each on December 31, 2016. The securities are classified as available-for-sale. The entity does not elect the fair value option for reporting available-for-sale securities. The fair value of the securities increases to P2,500 on December 31, 2017 and to P2,750 on December 31, 2018. On the December 31, 2018, the entity sells the securities. Assume no dividends are paid and that the tax rate is 3%. What is the amount of the reclassification adjustment for other comprehensive income on December 31, 2018?

- a. (7,500)
- b. (5,520)
- c. 5,520
- d. 7,500

43. Alton Company began operation on January 1, 2018. The following information pertains the portfolio to the portfolio of marketable equity securities on December 31, 2018:

	Trading	<u>available-for-sale</u>
Aggregate cost	360,000	550,000
Aggregate fair value	320,000	450,000
Aggregate lower of cost or market value		
Applied to each security in the portfolio	304,000	420,000

The entity elects the fair value option for all financial instruments. If the fair value declines are judged to be temporary, what amounts should be reported as a loss on these securities in the 2018 income statement?

	a	b	c	d
Trading securities	0	40,000	40,000	56,000
Available-for-sale securities	100,000	0	100,000	130,000

44. On January 1, 2016 Gilberto Company purchased 9% bonds with a face amount of P4,000,000 for P3,756,000 to yield 10%. The bonds are dated January 1 2016, mature on December 31, 2025 and pay interest annually on December 31. The interest method of amortizing bond discount is used. What amount should be reported as interest revenue from the bond investment for 2017?
- a. 360,000
 - b. 375,600
 - c. 377,160
 - d. 400,000
45. On July 1, 2018, East Company purchase as long term investment P500,000 face amount, 8% bonds for P461,500 to yield 10% per year. The bonds pay interest semi-annually on January 1 and July 1. The entity does not elect the fair value option for reporting these securities. On December 31, 2018, what amount should be reported as interest receivable?
- a. 18,840
 - b. 20,000
 - c. 23,075
 - d. 25,000
46. Smythe Company invested P20,000 in call option for 1,000 shares of Gin Company P50 par, when the market price was P100 per share. The option expired in there months and had an exercise price of P90 per share. What was the intrinsic value of the call option at the time of initial investment?
- a. 5,000
 - b. 10,000
 - c. 20,000
 - d. 90,000
47. On January 1, 2016, Christine Company borrowed P5,000,000 from a bank at variable rate of interest for 4 years. Interest is payable annually to the bank every December 31 and the market rate of interest every January 1 resets the variable rate for that period and the amount of interest to be paid on December 31. In connection with the loan, the entity entered into a "receive variable, pay fixed" interest rate swap agreement with another bank speculator. The agreement was treated as a cash flow hedge and the market interest rates are January 1 2016- 10%, January 1, 2017- 14%, January 1, 2018-12%, January 1, 2019-11%. Round off PV factor to two decimals. What amount should be reported as derivative asset on December 31, 2017?
- a. 169,000
 - b. 200,000
 - c. 240,000
 - d. 464,000

48. Castlehill Company regularly hedge its purchase requirements and the sale of finished products in the futures market. On November 1, 2018, the entity entered into the following three contracts designated as cash flow hedge:

<u>Type of Contract</u>	<u>Quantity</u>	<u>Future strike price</u>	<u>Market price</u> <u>12/31/16</u>
Purchase cotton	100,000	85	75
Purchase wool	150,000	90	110
Sell shirts	90	350	400

All three contract are to be settled on January 1, 2019. What is the derivative assets or liability on December 31, 2018?

- a. 2,500,000 asset
 - b. 2,500,000 liability
 - c. 6,500,000 assets
 - d. 6,500,000 liability
49. On January 1, 2016, Tara Company received a 5-year variable interest rate loan of P10,000,000 with interest payment at the end of each year and the principal to be paid on December 31, 2020. The interest rate for 2016 is 8% and the rate in each succeeding year equal to market interest rate on January 1 of each year. Tara Company entered into a "receive variable", pay fixed" interest rate swap agreement. The swap payments are made at the end of the year. This interest rate swap agreement is designated as a cash flow hedge. On January 1, 2017, the market rate of interest is 6%. On December 31, 2016, what amount should be reported as derivative assets or liability?
- a. 694,000 asset
 - b. 694,000 liability
 - c. 800,000 asset
 - d. 8000,000 liability

Questions 50 thru 52 are based on the following information

Danica Company sold loans with P2,200 fair value and carrying amount of P2,000. The entity obtained an option to purchase similar loans and assumed a recourse obligation to repurchase loan. The fair values are listed.

Cash proceeds	2,100
Interest rate swap	140
Call option	80
Recourse obligation	(120)

50. What is the gain (loss) on the sale?
- a. (100)
 - b. 120
 - c. 200

d. 320

51. The journal entry to record the transfer on the books of Danica Company includes
- A debit to loans
 - A debit to call option
 - A credit to cash
 - A credit to interest rate swap
52. Assume that Danica Company agreed to service the loans without explicitly stating the comprehension. The fair value of the service is P50. What are the net proceeds and the gain (loss) on the sale, respectively
- 2,150 and 150
 - 2,200 and (250)
 - 2200 and 200
 - 2,250 and 250
53. On July 1, 2018, Rudd Company reported that a delivery van was destroyed in an accident. On the date, the carrying amount was P2,500,000. On July 15, 2018, Rudd received and recorded a P700,000 invoice for new engine installed in the van in May 2018, and another P500,000 invoice for various repairs, in August, Rudd received P3,500,000 under an insurance policy on the van, which it plans to use to replace the van . What amount should be reported as gain loss on disposal of the van?
- 200,000 loss
 - 0
 - 300,000 gain
 - 1,000,000 gain
54. Alyssa Company owned a machine that was bought on January 1, 2013 for P8,000,000. The machine was estimated to have a useful life years and a residual of P500,000. The entity used the sum of years digits method of depreciation. On January 1, 2016, the entity determined that the total use full life of the machine should have been four years and the residual value is P600,000. What should be recorded as depreciation expense on the machine for 2016?
- 700,000
 - 1,000,000
 - 1,400,000
 - 2,000,000
55. Darlene Company owned a machine that was brought on January 1 2013 for P5,000,000. The machine was estimated to have a useful life of five years and a residual value of P200,000. The entity used the sum of years digits method of depreciation. On January 1, 2016, the entity determined that the total useful life of the machine should have been four years and the residual value is P400,000. What amount should be recorded as depreciation for 2016?
- 460,000
 - 480,000
 - 580,000
 - 760,000

56. Bauk Company signed a 10-year lease for office space on January 1, 2016. The entity has the option to renew the contract for an additional five year on or before January 1, 2026. During January 2017, the entity incurred P1,400,000 for general improvements on the space. The improvements have a useful life of 16 years. Also the entity acquired furniture for P300,000 with a useful life of 12 years. On December 31, 2017, the entity's intentions to renew the lease contract are certain. What is the depreciation of the lease improvements in 2017?
- 87,500
 - 100,000
 - 125,000
 - 140,000

57. On January 1 2016, Union Company purchase a machine for P246,000 and depreciated it by the straight-line method using an estimated useful life of eight years with no residual value. On January 1, 2019, the entity determined that the machine has a useful life of six years from the date of acquisition with residual value of P24,000. What is the accumulated depreciation on December 31, 2019?
- 146,000
 - 154,000
 - 160,000
 - 176,000

58. Weir Company used straight-line depreciation for property, plant and equipment:

	12/31/2017	12/31/2016
Land	25,000	25,000
Buildings	195,000	195,000
Machinery and equipment	695,000	650,000
Accumulated depreciation	400,000	370,000

The depreciation expense for 2017 and 2016 was P55,000 and P50,000, respectively. What amount was debited to accumulated depreciation during 2017 because of retirement?

- 10,000
 - 20,000
 - 25,000
 - 40,000
59. Enrico Company uses the sum-of-year-digits method to depreciate equipment purchased in January 2016 for P2,000,000. The residual value is P200,000 and the useful life is four years. What is the carrying amount of the equipment on December 31, 2018?
- 180,000
 - 200,000
 - 380,000
 - 450,000
60. Star Company leased a building for product showroom. The ten-year non-renewable lease will be expire on December 31, 2021. In January 2016, Star redecorated the showroom and made leasehold improvement of P48,000. The estimated useful life of the improvement is eight years. The entity is

use the straight-line method of depreciation. What amount of leasehold improvement, net of depreciation, should on June 30, 2016?

- a. 43,200
- b. 44,000
- c. 45,000
- d. 45,600

61. On January 1, 2011, Nicole Company purchased a new building at a cost of P6,000,000. Depreciation was computed on the straight-line basis at 4% per year. On January 1, 2016 the building was revalued at a fair value of P8,000,000. What is the revaluation surplus on December 31, 2016?

- a. 1,900,000
- b. 1,920,000
- c. 3,040,000
- d. 3,072,000

62. During the current year, Wilson Company sold a piece of equipment used in production. The equipment had been accounted for using the revaluation method and details of the accounts and sale are as follows:

Sale price
Carrying amount of equipment
Revaluation surplus

Which of the following is correct about recording the sale?

- a. The gain that should be recorded in profit and loss is P30,000
- b. The gain that should be recorded in other comprehensive income is P10,000
- c. The gain that should be recorded in other comprehensive income is P30,000
- d. The gain that should be transferred to retained earnings

63. In January 2018, Troy Company purchased a mineral mine for P36,000,000 with removable ore estimated value of P3,600,000 by geological survey at 2,160,000 tons. The property has an estimated value P3,600,000 after the ore has been extracted. The entity incurred P10,800,000 of development cost preparing the property for the extraction of ore. During the current year, 270,000 tons were removed and 240,000 tons were sold. What amount of depletion should be included in cost of goods sold for 2018?

- a. 3,600,000
- b. 4,050,000
- c. 4,800,000
- d. 5,400,000

64. On January 1, 2018, Kristine Company signed as agreement to operate as a franchisee of another entity for an initial franchise fee of P12,000,000. The same date, the entity paid P4,000,000 and agreed to pay the balance in four equal annual installment of P2,000,000 beginning January 1, 2019. The down payment is not refundable and no future services are required of the franchisor. The entity can borrow at 14% for a loan of this type. Present and future value factors are as follows:

Present value of 1 at 14% for 4 periods

Future value of 1 at 14% for 4 periods

Present value of an ordinary annuity of 1 at 14% for 4 periods

What is the acquisition cost of the franchise?

- a. 8,720,000
- b. 9,820,000
- c. 12,000,000
- d. 13,520,000

65. Royal Company purchase a trademark and incurred the following costs:

One-time trademark purchase price	100,000
Nonrefundable VAT taxes	5,000
Training sales personnel on the use of the new trademark	7,000
Research expenditures associated with the purchase of the new trademark	24,000
Legal costs incurred to register the trademark	10,500
Salaries of the administrative	12,000

What is the initial cost of the trademark?

- a. 100,000
- b. 115,500
- c. 146,500
- d. 158,500

66. Windsor Company developed a trademark and incurred the following expenditures:

Market research
Design cost of trademark
Legal registration fee
Advertising cost
Registration with Intellectual Property office

What amount should be capitalized as cost of the trademark?

- a. 1,900,000
- b. 2,000,000
- c. 2,450,000
- d. 2,600,000

67. On January 1, 2018, Judd Company bought a trademark for P500,000. The entity retained an independent consultant who estimated the trademark's remaining useful life to be fifty years. The unamortized cost of the trademark was P380,000. On December 31, 2018, what amount should be reported as accumulated amortization?

- a. 7,600
- b. 9,500
- c. 10,000
- d. 12,500

68. Synthia Company purchased a sewing machine for P1,000,000 on July 1, 2016. The machine had a ten-year life, a P50,000 residual value, and was depreciated using the straight-line method. On December 31, 2018, a test for impairment indicates that the undiscounted cash flows from the sewing machine are less than carrying amount. The machine's actual fair value on December 31 2018 is P300,000. What is loss on impairment for 2018?

- a. 415,000
- b. 462,500

- c. 475,000
- d. 650,000

69. On January 1, 2016, Parram Company purchased equipment at a total cost of P6,000,000 with a 10-year useful life and no residual value. On January 1 2018, the entity revalued the equipment and it was determined that the sound value on such date is P8,000,000. On January 1, 2021, the entity decided to test the asset for impairment. It was determined that the fair value of the equipment. It was determined that the fair value of the equipment on such date was P2,600,000. What amount of impairment loss should be recognized in 2021?

- a. 0
- b. 400,000
- c. 2,000,000
- d. 2,400,000

1. Klaus Company followed the calendar year as the accounting period. The 2018 financial statements were authorized for issue on March 15, 2019
 - On February 1, 2019, the entity determined that the total cost of the equipment purchase is P3, 700,000. The asset was purchase on November 12, 2018
 - On March 15, 2019, the entity discovered that the 2018 depreciation expense was overstated by P470,000
 - On March 20, 2019, the entity issued 100,000 ordinary shares at par of P10 per share
 - On March 27, 2019, the entity filed a case against another entity for patent infringement. The legal counsel assessed that it is probable that the entity will win the case for an amount of P550,00

What total amount should be reported as adjusting entries on December 31, 2018?

- a. 3,700,000
- b. 4,170,000**
- c. 5,170,000
- d. 5,720,000

2. On December 31, 2018, Mark Company presented the following current assets:

Cash	3,200,000
Accounts receivable	2,000,000
Inventory	2,800,000
Initial direct cost is leasing equipment to a lessee in a sales-type lease	200,000

The accounts receivable consisted of the following items:

Customers accounts	1,420,000
Account receivable- assigned (net of Equity of consignee in accounts assigned, P60,000)	240,000
Advance to subsidiary	260,000
Allowance for sales return	(120,000)
Claim against shipper for goods in transit	100,000
Subscription receivable due on December 31, 2019	100,000

What amount should be recognized as total current assets on December 31, 2018?

- a. 7,740,000
- b. 7,700,000
- c. 7,800,000**
- d. 8,000,000

3. Omar Company presented the following information on December 31, 2018:

Cash	1,320,000
Investment securities held for trading	
including long term investment of P500,000 in ordinary shares	2,200,000
Inventories, including goods received on consignment of P200,000	
Prepaid expenses, including a deposit of P55,000 made on inventories	
to be delivered in 15 months	165,000
Property, plant & equipment	11,000,000
Goodwill, solely based on skill of employees estimated by the president	<u>1,100,000</u>
Total assets	<u>16,665,000</u>
Cash in general checking account	660,000
Sinking fund to retire bonds payable in 2020	550,000
Cash held to pay value added taxes	<u>110,000</u>
Total cash	<u>1,320,000</u>

What total amount of current assets should be reported on December 31, 2018?

- a. 3,190,000
b. 3,245,000
c. 3,740,000
d. 3,795,000
4. Abigail Company reported P2,450 net of tax debit reclassification adjustment of other comprehensive income in the year the securities are sold. The tax rate is 30%. What is the gain or loss that is included in income from continuing operation before income tax?
- a. 3,500 loss
b. 2,450 loss
c. 2,450 gain
d. 3,500 gain
5. During the current year, Steel Company retired bonds payable five years before their schedule maturity resulting in a P260,000 gain. A steel forming segment suffered P55,000 in loss due to storm surge damage during the year. Moreover, a component of Steel's operation was sold at loss of P350,000. What amount of pretax gain or loss should be reported separately as a component of income from continuing operation?
- a. 350,000 loss
b. 255,000 loss
c. 205,000 gain
d. 260,000 gain
6. Alyssa Company had comprehensive insurance policy which allows its assets to be replaced at current value. The policy has P250,000 deductible clause. One of the waterfront warehouse was destroyed in a hailstorm. Hail storms occur approximately every four years. The entity incurred P100,000 for dismantling the warehouse and plans to replace it the current carrying amount of the warehouse is P1,500,000 and the replacement cost is

P5,500,000. What amount of gain should be reported as a separate component of income from continuing operations

- a. 0
- b. 3,650,000
- c. 3,900,000
- d. 5,150,000

7. Merrill Company reported the following information for the current year:

Sales	575,000
Cost of sales	240,000
Administrative expenses	70,000
Loss on sale of equipment	10,000
Sales commissions	50,000
Interest revenue	25,000
Freight out	15,000
Loss on early retirement of long-term debt	20,000
Uncollectible accounts expense	15,000

The finished goods inventory was P400,000 on January 1 and P360,000 on December 31. The tax rate is 30%. What amount should be reported as income from continuing operation?

- a. 126,000
- b. 129,500
- c. 140,000
- d. 147,000

8. Shanille Company reported income before tax of P125,000 for 2018. The auditor questioned the following amounts that had been included in income before tax:

- Unrealized gain on available-for-sale investment
- Equity in earnings of Cinn Company
- Dividends received from Cinn Company
- Adjustment to profit of prior years of arithmetical error in depreciation

Shanille Company owns 40% of Cinn's ordinary shares. What amount should be reported as income before tax for 208?

- a. 85,000
- b. 112,000
- c. 117,000
- d. 152,000

9. On December 31, 2081, the Board of Directors of Max Company committed to a plan to discontinue the operations of its Under Division. The entity estimated that Underwear's 2019 operating loss would be P500,000 and that the fair value of its facilities was P300,000 less than carrying amount. Underwear's 2016 operating loss was P1,400,000 and the division was actually sold for P400,000 less than carrying amount in 2019. The effective tax rate is 30%. What amount should be reported as loss from discontinued operations in 2018?

- a. 0
- b. 980,000
- c. 1,190,000
- d. 1,400,000

10. Rachel Company reported the following for the current year:

Unrealized loss on futures contract designated as cash flow hedge	500,000
Revaluation surplus during the year	350,000
Unrealized gain on financial asset at TVTOCI	150,000
Remeasurement gain on employee benefits	120,000
Gain on translation of financial statements of a foreign corporation	150,000
Loss from change in fair value attributable to credit risk of a financial liability designated at FVTLP	200,000

In preparing the statement of comprehensive income, what net amount should be reported in other comprehensive income that may not be recycled to profit or loss?

- a. 350,000
- b. 420,000
- c. 470,000
- d. 620,000

Question 11 thru 15 based on the following information

Kristy Company used the direct method to prepare statement of cash flows:

	<u>2018</u>	<u>2017</u>
Cash	35,000	32,000
Account receivable	33,000	30,000
Inventory	31,000	47,000
Property, plant and equipment	100,000	95,000
Unamortized bond discount	4,500	5,000
Cost of goods sold	250,000	380,000
Selling expenses	141,500	172,000
General and administrative expense	137,000	151,300
Interest expense	4,300	2,600
Income tax expense	<u>20,400</u>	<u>61,200</u>
	<u>756,700</u>	<u>976,100</u>
Allowance for doubtful accounts	1,300	1,100
Accumulated depreciation	16,500	15,000
Trade accounts payable	25,000	17,500
Income taxes payable	21,000	27,100
Deferred income taxes	5,300	4,600
8% callable bonds payable	45,000	20,000
Share capital	50,000	40,000
Share premium	9,100	7,500
Retained earnings	44,700	64,600

Sales	<u>538,800</u>	<u>778,700</u>
	<u>756,700</u>	<u>976,100</u>

The entity purchased P5,000 in equipment during 2018. The entity allocated one-third of the depreciation expense to selling expense and remainder to general administrative expenses. There was no write-off of accounts receivable during 2018. What amounts should be reported in the statement of cash flows for the following:

11. Cash collected from customers?

- a. 535,800
- b. 536,000
- c. 541,600
- d. 541,800

12. Cash paid for goods to be sold?

- a. 226,500
- b. 242,500
- c. 257,500
- d. 258,500

13. Cash paid for selling expenses?

- a. 140,000
- b. 141,000
- c. 141,500
- d. 142,000

14. Cash paid for interest?

- a. 1,700
- b. 3,800
- c. 4,300
- d. 4,800

15. Cash paid for income?

- a. 15,000
- b. 19,700
- c. 20,400
- d. 25,800

16. Correy Company and its division are engaged solely in manufacturing operations.

<u>Segment</u>	<u>Revenue</u>	<u>Operating profit</u>	<u>Assets</u>
A	10,000,000	1,750,000	20,000,000
B	8,000,000	1,400,000	17,500,000
C	6,000,000	1,200,000	12,500,000

D	3,000,000	550,000	7,500,000
E	4,250,000	675,000	7,000,000
F	1,500,000	225,000	3,000,000

How many reportable segments does Correy have?

- a. Three
- b. Four
- c. Five
- d. Six

17. On June 30, 2018, Line Company incurred a P100,000 net loss from disposal of a business segment. Also on June 30, 2018, the entity paid P40,000 for property taxes assessed for the 2018. What amount should be include in the determination of net income or loss for the six-months interim period ended June 30, 2018?

- a. 70,000
- b. 90,000
- c. 120,000
- d. 140,000

18. Karen Company provided the following information on December 31, 2018:

Cash on hand	500,000
Petty cash fund	20,000
Security Bank current account	3,000,000
BDO Current account no. 1	400,000
BDO Current account no. 2	(50,000)
BSP treasury bill- 60 days	4,000,000
BPI time deposit-30 days	1,000,000

The cash on hand included a costumer postdated check of P100,000 and postal money order of P40,000. A check for P300,000 was drawn against Security Bank account, dated January 15, 2019 delivered to the payee and recorded December 31, 2018. The BPI time deposit is set aside for acquisition of equipment. What total amount of cash & cash equivalents should be reported on December 31, 2018?

- a. 7,470,000
- b. 7,770,000
- c. 8,070,000
- d. 9,070,000

19. Diane Company purchase as P2,000,000, 8% five year note that required five equal annual year-end payments of P500,900. The note was discount to yield 9%. At the date of purchase, the entity recorded the note at the present value of P1,948,500. The entity did

not elect the fair value option. What is the total interest revenue earned over the life of this note?

- a. 504,500
- b. 556,500
- c. 800,000
- d. 900,000

20. On December 1, 2018, Czarina Company gave Home Company a P200,000, 11% loan. The entity paid proceeds of P194,000 after deduction of a P6,000 non-refundable loan organization fee. Principal and interest are due in sixty monthly installments of P4,310, beginning January 1, 2019. The repayments yield an effective interest rate of 11% at an event value of P200,000 and 12.4% at a present value of P194,000. What amount of income from this loan should Money report in 2018?

- a. 0
- b. 1,833
- c. 2,000.5
- d. 7,833

21. On December 31, 2018, Mariane Company received two P2,000,000 notes receivable from customers. On both, interest is calculated on the outstanding principal balance at the annual rate of 3% and payable at maturity. The first note, made under customary trade terms, is due in nine months and the second note is due in five years. The market interest rate for similar notes on December 31, 2018 was 8%. The PV of 1 at 8% due in nine months is 0.994, and the PV of 1 at 8% due in the five years is 0.68. On December 31, 2018 what total carrying amount should be reported for the two notes receivable?

- a. 3,248,000
- b. 3,360,000
- c. 3,349,000
- d. 3,564,000

22. Kathleen Bank granted a 10-year loan to a borrower in the amount of P1,500,000 with stated interest rate of 6%. Payments are due monthly and are computed to be P16,650. The bank incurred P40,000 of direct loan organization cost. In addition, the bank charged the borrower a 4-point nonrefundable loan organization fee. What is the carrying amount of the loan receivable to be reported initially by the bank?

- a. 1,440,000
- b. 1,480,000
- c. 1,500,000
- d. 1,520,000

23. On December 31, 2018, Gabriel Company sold a machine in exchange for a non-interest bearing note requiring ten annual payments of P500,000. The buyer made the first payments on December 31, 2018. The market interest rate for similar notes at date of

issuance was 8%. The PV of an ordinary annuity of 1 at 8% is 6.25 for 9 period and 6.71 for 10 periods. On December 31, 2018, what is the carrying amount of the note receivable?

- a. 2,250,000
- b. 2,300,000
- c. 3,125,000
- d. 3,355,000;

24. On December 31, 2018, Macho Bank has 5-year loan receivable with a face value of P6,000,000 dated January 1, 2016 due on December 31, 2019. Interest is payable annually every December 31 at 9%. The borrower made the required interest payment on December 31, 2017 will be paid together with the principal at maturity. There is high probability that remaining interest payments will not be said. The prevailing market interest rate is 10%. What is the loan impairment loss for 2018? (Round PV factors to 2 decimals)

- a. 1,046,400
- b. 1,111,800
- c. 1,504,200
- d. 1,635,000

25. Scarbrough Company factored P600,000 of account receivable on October 1, 2018. Control was surrendered by Scarbrough. The factor accepted the accounts receivable subject to recourse for payment. The factor assessed a fee of 3% and retains a holdback equal to 5% of the receivable. In additions, the factor charge 15% interest computed on a weighted-average time to maturity of fifty-four days. The fair value of the recourse obligations P9,000. What of cash was initially received?

- a. 529,685
- b. 538,685
- c. 547,685
- d. 556,685

26. Jesus Company factored P3,000,000 of accounts receivable without recourse. The factor required an assessment fee of 10% of the accounts factored and a hold back of 15% of the accounts factored for possible sales returns and allowances. The accounts factored had related allowance for doubtful accounts of P200,000. What amount of loss on factoring should be recognized?

- a. 100,000
- b. 300,000
- c. 650,000
- d. 750,000

27. Mariel Company used the retail inventory method to estimate inventory. Data relating to the inventory computation at the year end are follows:

	Cost	Retail
Inventory, January 1	7,000,000	1,000,000

Purchases	4,100,000	6,300,000
Net markups		700,000
Net markdowns		500,000
Sales		6,600,000
Estimated normal shoplifting losses		200,000

Under the conventional retail method, what is the estimated inventory at year-end?

- a. 420,000
- b. 448,000
- c. 540,000
- d. 576,000

28. Ferdinand Company used the retail inventory method to value inventory. The following information is available for the current year:

	Cost	Retail
Beginning inventory	1,500,000	2,500,000
Purchases	7,250,000	10,000,000
Freight-in	168,250	
Net markup		425,000
Net markdown		1,035,000
Employee discounts		50,000
Sales		10,250,000
Sales discount		750,000

What is the estimated cost of ending inventory using the conventional approach?

- a. 1,097,100
- b. 1,166,100
- c. 1,590,000
- d. 1,614,600

29. Divine Company used the conservative retail method and showed the following information at year-end:

	Cost	Retail
Inventory, January 1	560,000	1,400,000
Sales		10,000,000
Purchases	4,960,000	10,320,000
Freight-in	150,000	
Markup		1,000,000
Markup cancellation		120,000
Markdown		500,000
Markdown cancellation		100,000

The estimated normal shrinkage is 5% of sales. What is the estimated cost of inventory at year-end?

- a. 765,000
- b. 945,000
- c. 990,000

d. 1,170,000

30. Aloha Company determined the following information for the inventory at year-end:

Historical cost	100,000
Current replacement cost	70,000
Net realizable value	90,000
Net realizable value less normal profit margin	85,000
Fair value	95,000

What amount should be reported as inventory at year-end?

- a. 70,000
- b. 85,000
- c. 90,000
- d. 95,000

31. John Company measured inventory at LCNRV. The entity provided the following information regarding inventory:

Historical cost	5,000,000
Estimated selling price	4,500,000
Expected selling price	4,700,000
Cost to complete and sell	250,000
Replacement cost	4,000,000

What amount should be reported as inventory at LCNRV?

- a. 4,250,000
- b. 4,000,000
- c. 4,450,000
- d. 5,000,000

32. On December 31, 2017, Erica Company experienced a decline in the value of inventory resulting in a write-down from P2,400,000 to P2,000,000. The entity used the loss method in 2017 to record the necessary adjustment. In 2017, market conditions have improved dramatically. On December 31, 2018, the inventory had a cost of P3,000,000 and NRV of P3,500,000. Cost of goods sold before LCNRV measurement for 2018 was P5,600,000. What amount so cost of goods sold should be reported for 2018?

- a. 5,100,000
- b. 5,200,000
- c. 5,600,000
- d. 6,000,000

33. On January 1, 2018, Danielle Company signed a three-year, non-cancelable purchase contract, which allows the entity to purchase up to 50,000 units of a computer part annually at P100 per unit and guarantees a minimum annual purchase of 10,000 units. During 2018, the part unexpectedly became obsolete. The entity had 25,000 units of this inventory of December 31, 2018, and believed these parts can be sold scrap for P20 per unit.

What amount of loss from the purchase commitment should be reported in 2018?

- a. 1,600,000
- b. 2,000,000
- c. 2,400,000
- d. 3,600,000

34. Drew Company used the average cost inventory method for inventory reporting purposes and LIFO for financial statement and income tax reporting. On December 31, 2018, the inventory was P375,000 using average cost and P320,000 using LIFO. The unadjusted credit balance in the LIFO Reserve account on December 31, 2018 was P35,000. What adjusting entry should be recorded to adjust from average cost LIFO on December 31, 2018?

- a.

Cost of goods sold	55,000	
Inventory		55,000
- b.

Cost of goods sold	55,000	
LIFO reserve		55,000
- c.

Cost of goods sold	20,000	
Inventory		20,000
- d.

Cost of goods sold	20,000	
LIFO reserve		20,000

35. Faith Company produces milk for sale to local and national ice cream producers. The entity began operation on January 1, 2018 by purchasing 650 milk cows for P8,000,000. The entity had the following information available at year-end relating to the cows:

Acquisition cost January 1 2018	8,000,000
Change in fair value due to growth and price changes	2,500,000
Decrease in fair value due to harvest	250,000
Milk harvested during 2018 but not yet sold	400,000

What amount of gain on change in fair value should be recognized for biological asset in 2018?

- a. 2,250,000
- b. 2,500,000
- c. 2,650,000
- d. 2,900,000

36. On March 5, 2018, Ashe Company adopted plan to accumulate P1,000,000 by September 1, 2022. The entity plans to make for equal deposits to a fund that will earn interest at 10% compounded annually. The entity made the first deposit on September 1, 2018.

Future value of at 10% for 4 periods	1.46
Future amount of ordinary annuity of 1 at 10% for four periods	4.64
Future amount of annuity in advance of 1 at 10% for four periods	5.11

What is the annual deposit to fund (rounded)?

- a. 146,000

b. 195,700

c. 215,500

d. 250,000

37. On July 1, 2018, Blass Company exchanged a truck for 25,000 shares of Ace Company. On that date, the truck's carrying amount was P2,500,000, and the fair value was P3,000,000. Also the book value of Ace's share was P60. On December 31, 2018, Ace had 250,000 shares outstanding and the book value per share was P50. What amount should Blass report on December 31, 2018 as investment in Ace?

a. 1,250,000

b. 1,500,000

c. 2,500,000

d. 3,000,000

38. Shelton Company reported the following portfolio of available-for-sale securities:

Aggregate cost, 12/31/2018	150,000
Unrealized gains, 12/31/2018	14,000
Unrealized losses, 12/31/2018	26,000
Net realized gains during 2018	30,000

The entity elects the fair value option for reporting all available-for-sale securities. What total amount should be reported in the income statement for 2018?

a. 4,000 gains

b. 18,000 gain

c. 30,000 gain

d. 44,000 gain

39. On December 3, 2016, Grace Company appropriately reported P100,000 unrealized loss. There was no change during 2017 in the composition of the portfolio of equity securities designated as FVTOCI. The entity provided the following information:

<u>Security</u>	<u>Cost</u>	<u>Fair value at 12/31/15</u>
X	1,250,000	1,600,000
Y	1,000,000	900,000
Z	1,750,000	1,000,000

What unrealized loss should be reported in the statement of comprehensive income for the year ended December 31, 2017?

a. 0

b. 400,000

c. 500,000

d. 600,000

40. Trisha Company buys ten shares of securities at P1,000 each on January 12, 2018. The securities are classified as available-for-sale. The fair of the securities increase to P1,250 per share on December 31, 2018. The entity does not the fair value option for reporting available-for-sale securities. Assume no dividends are paid and the entity has a 30% tax

rate. What is the amount of the holding gain that is classified in other comprehensive income?

- a. 0
- b. 1,750
- c. 2,500
- d. 7,500

41. During the current year, Sunshine Company reported in the statement of comprehensive income P5,000 in interest revenue, P15,000 equity in associate's earnings, and P25,000 gain on sale of available-for-sale securities. Assuming the same of the securities increased the current portion of income tax expense by P10,000, what is the amount of reclassification adjustment of other comprehensive income?

- a. 2,500
- b. 5,000
- c. 15,000
- d. 7,500

42. John Company buys ten shares of securities at P2,000 each on December 31, 2016. The securities are classified as available-for-sale. The entity does not elect the fair value option for reporting available-for-sale securities. The fair value of the securities increases to P2,500 on December 31, 2017 and to P2,750 on December 31, 2018. On the December 31, 2018, the entity sells the securities. Assume no dividends are paid and that the tax rate is 3%. What is the amount of the reclassification adjustment for other comprehensive income on December 31, 2018?

- a. (7,500)
- b. (5,520)
- c. 5,520
- d. 7,500

43. Alton Company began operation on January 1, 2018. The following information pertains the portfolio to the portfolio of marketable equity securities on December 31, 2018:

	Trading	<u>available-for-sale</u>
Aggregate cost	360,000	550,000
Aggregate fair value	320,000	450,000
Aggregate lower of cost or market value		
Applied to each security in the portfolio	304,000	420,000

The entity elects the fair value option for all financial instruments. If the fair value declines are judged to be temporary, what amounts should be reported as a loss on these securities in the 2018 income statement?

	a	b	c	d
Trading securities	0	40,000	40,000	56,000
Available-for-sale securities	100,000	0	100,000	130,000

44. On January 1, 2016 Gilberto Company purchased 9% bonds with a face amount of P4,000,000 for P3,756,000 to yield 10%. The bonds are dated January 1 2016, mature on December 31, 2025 and pay interest annually on December 31. The interest method of amortizing bond discount is used. What amount should be reported as interest revenue from the bond investment for 2017?
- a. 360,000
 - b. 375,600
 - c. 377,160
 - d. 400,000
45. On July 1, 2018, East Company purchase as long term investment P500,000 face amount, 8% bonds for P461,500 to yield 10% per year. The bonds pay interest semi-annually on January 1 and July 1. The entity does not elect the fair value option for reporting these securities. On December 31, 2018, what amount should be reported as interest receivable?
- a. 18,840
 - b. 20,000
 - c. 23,075
 - d. 25,000
46. Smythe Company invested P20,000 in call option for 1,000 shares of Gin Company P50 par, when the market price was P100 per share. The option expired in there months and had an exercise price of P90 per share. What was the intrinsic value of the call option at the time of initial investment?
- a. 5,000
 - b. 10,000
 - c. 20,000
 - d. 90,000
47. On January 1, 2016, Christine Company borrowed P5,000,000 from a bank at variable rate of interest for 4 years. Interest is payable annually to the bank every December 31 and the market rate of interest every January 1 resets the variable rate for that period and the amount of interest to be paid on December 31. In connection with the loan, the entity entered into a "receive variable, pay fixed" interest rate swap agreement with another bank speculator. The agreement was treated as a cash flow hedge and the market interest rates are January 1 2016- 10%, January 1, 2017- 14%, January 1, 2018-12%, January 1, 2019-11%. Round off PV factor to two decimals. What amount should be reported as derivative asset on December 31, 2017?
- a. 169,000
 - b. 200,000
 - c. 240,000
 - d. 464,000

48. Castlehill Company regularly hedge its purchase requirements and the sale of finished products in the futures market. On November 1, 2018, the entity entered into the following three contracts designated as cash flow hedge:

<u>Type of Contract</u>	<u>Quantity</u>	<u>Future strike price</u>	<u>Market price</u> <u>12/31/16</u>
Purchase cotton	100,000	85	75
Purchase wool	150,000	90	110
Sell shirts	90	350	400

All three contract are to be settled on January 1, 2019. What is the derivative assets or liability on December 31, 2018?

- a. 2,500,000 asset
- b. 2,500,000 liability**
- c. 6,500,000 assets
- d. 6,500,000 liability

49. On January 1, 2016, Tara Company received a 5-year variable interest rate loan of P10,000,000 with interest payment at the end of each year and the principal to be paid on December 31, 2020. The interest rate for 2016 is 8% and the rate in each succeeding year equal to market interest rate on January 1 of each year. Tara Company entered into a "receive variable", pay fixed" interest rate swap agreement. The swap payments are made at the end of the year. This interest rate swap agreement is designated as a cash flow hedge. On January 1, 2017, the market rate of interest is 6%. On December 31, 2016, what amount should be reported as derivative assets or liability?

- a. 694,000 asset
- b. 694,000 liability**
- c. 800,000 asset
- d. 8000,000 liability

Questions 50 thru 52 are based on the following information

Danica Company sold loans with P2,200 fair value and carrying amount of P2,000. The entity obtained an option to purchase similar loans and assumed a recourse obligation to repurchase loan. The fair values are listed.

Cash proceeds	2,100
Interest rate swap	140
Call option	80
Recourse obligation	(120)

50. What is the gain (loss) on the sale?

- a. (100)
- b. 120
- c. 200**

d. 320

51. The journal entry to record the transfer on the books of Danica Company includes

- a. A debit to loans
- b. A debit to call option
- c. A credit to cash
- d. A credit to interest rate swap

52. Assume that Danica Company agreed to service the loans without explicitly stating the comprehension. The fair value of the service is P50. What are the net proceeds and the gain (loss) on the sale, respectively

- a. 2,150 and 150
- b. 2,200 and (250)
- c. 2200 and 200
- d. 2,250 and 250

53. On July 1, 2018, Rudd Company reported that a delivery van was destroyed in an accident. On the date, the carrying amount was P2,500,000. On July 15, 2018, Rudd received and recorded a P700,000 invoice for new engine installed in the van in May 2018, and another P500,000 invoice for various repairs, in August, Rudd received P3,500,000 under an insurance policy on the van, which it plans to use to replace the van. What amount should be reported as gain loss on disposal of the van?

- a. 200,000 loss
- b. 0
- c. 300,000 gain
- d. 1,000,000 gain

54. Alyssa Company owned a machine that was bought on January 1, 2013 for P8,000,000. The machine was estimated to have a useful life years and a residual of P500,000. The entity used the sum of years digits method of depreciation. On January 1, 2016, the entity determined that the total use full life of the machine should have been four years and the residual value is P600,000. What should be recorded as depreciation expense on the machine for 2016?

- a. 700,000
- b. 1,000,000
- c. 1,400,000
- d. 2,000,000

55. Darlene Company owned a machine that was brought on January 1 2013 for P5,000,000. The machine was estimated to have a useful life of five years and a residual value of P200,000. The entity used the sum of years digits method of depreciation. On January 1, 2016, the entity determined that the total useful life of the machine should have been four years and the residual value is P400,000. What amount should be recorded as depreciation for 2016?

- a. 460,000
- b. 480,000
- c. 580,000
- d. 760,000

56. Bauk Company signed a 10-year lease for office space on January 1, 2016. The entity has the option to renew the contract for an additional five year on or before January 1, 2026. During January 2017, the entity incurred P1,400,000 for general improvements on the space. The improvements have a useful life of 16 years. Also the entity acquired furniture for P300,000 with a useful life of 12 years. On December 31, 2017, the entity's intentions to renew the lease contract are certain. What is the depreciation of the lease improvements in 2017?

- a. 87,500
- b. 100,000
- c. 125,000
- d. 140,000

57. On January 1 2016, Union Company purchase a machine for P246,000 and depreciated it by the straight-line method using an estimated useful life of eight years with no residual value. On January 1, 2019, the entity determined that the machine has a useful life of six years from the date of acquisition with residual value of P24,000. What is the accumulated depreciation on December 31, 2019?

- a. 146,000
- b. 154,000
- c. 160,000
- d. 176,000

58. Weir Company used straight-line depreciation for property, plant and equipment:

	12/31/2017	12/31/2016
Land	25,000	25,000
Buildings	195,000	195,000
Machinery and equipment	695,000	650,000
Accumulated depreciation	400,000	370,000

The depreciation expense for 2017 and 2016 was P55,000 and P50,000, respectively. What amount was debited to accumulated depreciation during 2017 because of retirement?

- a. 10,000
- b. 20,000
- c. 25,000
- d. 40,000

59. Enrico Company uses the sum-of-year-digits method to depreciate equipment purchased in January 2016 for P2,000,000. The residual value is P200,000 and the useful life is four years. What is the carrying amount of the equipment on December 31, 2018?

- a. 180,000
- b. 200,000
- c. 380,000
- d. 450,000

60. Star Company leased a building for product showroom. The ten-year non-renewable lease will be expire on December 31, 2021. In January 2016, Star redecorated the showroom and made leasehold improvement of P48,000. The estimated useful life of the improvement is eight years. The entity is

use the straight-line method of depreciation. What amount of leasehold improvement, net of depreciation, should on June 30, 2016?

- a. 43,200
- b. 44,000
- c. 45,000
- d. 45,600

61. On January 1, 2011, Nicole Company purchased a new building at a cost of P6,000,000. Depreciation was computed on the straight-line basis at 4% per year. On January 1, 2016 the building was revalued at a fair value of P8,000,000. What is the revaluation surplus on December 31, 2016?

- a. 1,900,000
- b. 1,920,000
- c. 3,040,000
- d. 3,072,000

62. During the current year, Wilson Company sold a piece of equipment used in production. The equipment had been accounted for using the revaluation method and details of the accounts and sale are as follows:

Sale price
Carrying amount of equipment
Revaluation surplus

Which of the following is correct about recording the sale?

- a. The gain that should be recorded in profit and loss is P30,000
- b. The gain that should be recorded in other comprehensive income is P10,000
- c. The gain that should be recorded in other comprehensive income is P30,000
- d. The gain that should be transferred to retained earnings

63. In January 2018, Troy Company purchased a mineral mine for P36,000,000 with removable ore estimated value of P3,600,000 by geological survey at 2,160,000 tons. The property has an estimated value P3,600,000 after the ore has been extracted. The entity incurred P10,800,000 of development cost preparing the property for the extraction of ore. During the current year, 270,000 tons were removed and 240,000 tons were sold. What amount of depletion should be included in cost of goods sold for 2018?

- a. 3,600,000
- b. 4,050,000
- c. 4,800,000
- d. 5,400,000

64. On January 1, 2018, Kristine Company signed as agreement to operate as a franchisee of another entity for an initial franchise fee of P12,000,000. The same date, the entity paid P4,000,000 and agreed to pay the balance in four equal annual installment of P2,000,000 beginning January 1, 2019. The down payment is not refundable and no future services are required of the franchisor. The entity can borrow at 14% for a loan of this type. Present and future value factors are as follows:

Present value of 1 at 14% for 4 periods

Future value of 1 at 14% for 4 periods

Present value of an ordinary annuity of 1 at 14% for 4 periods

What is the acquisition cost of the franchise?

- a. 8,720,000
- b. 9,820,000**
- c. 12,000,000
- d. 13,520,000

65. Royal Company purchase a trademark and incurred the following costs:

One-time trademark purchase price	100,000
Nonrefundable VAT taxes	5,000
Training sales personnel on the use of the new trademark	7,000
Research expenditures associated with the purchase of the new trademark	24,000
Legal costs incurred to register the trademark	10,500
Salaries of the administrative	12,000

What is the initial cost of the trademark?

- a. 100,000
- b. 115,500**
- c. 146,500
- d. 158,500

66. Windsor Company developed a trademark and incurred the following expenditures:

Market research
Design cost of trademark
Legal registration fee
Advertising cost
Registration with Intellectual Property office

What amount should be capitalized as cost of the trademark?

- a. 1,900,000
- b. 2,000,000**
- c. 2,450,000
- d. 2,600,000

67. On January 1, 2018, Judd Company bought a trademark for P500,000. The entity retained an independent consultant who estimated the trademark's remaining useful life to be fifty years. The unamortized cost of the trademark was P380,000. On December 31, 2018, what amount should be reported as accumulated amortization?

- a. 7,600
- b. 9,500
- c. 10,000**
- d. 12,500

68. Synthia Company purchased a sewing machine for P1,000,000 on July 1, 2016. The machine had a ten-year life, a P50,000 residual value, and was depreciated using the straight-line method. On December 31, 2018, a test for impairment indicates that the undiscounted cash flows from the sewing machine are less than carrying amount. The machine's actual fair value on December 31 2018 is P300,000. What is loss on impairment for 2018?

- a. 415,000
- b. 462,500**

- c. 475,000
- d. 650,000

69. On January 1, 2016, Parram Company purchased equipment at a total cost of P6,000,000 with a 10-year useful life and no residual value. On January 1 2018, the entity revalued the equipment and it was determined that the sound value on such date is P8,000,000. On January 1, 2021, the entity decided to test the asset for impairment. It was determined that the fair value of the equipment. It was determined that the fair value of the equipment on such date was P2,600,000. What amount of impairment loss should be recognized in 2021?

- a. 0
- b. 400,000
- c. 2,000,000
- d. 2,400,000