

Questions 1 thru 3 are based on the following information

Joanna Company provided the following trial balance on December 31, 2020 which has been adjusted except for income tax expense:

Cash		600,000	
Account receivable		3,500,000	
Cost in excess of billing on long-term contracts		1,600,000	
Billing in excess of cost on long-term contracts		700,000	
Prepaid taxes	450,000		
Property, plant & Equipment, net	1,510,000		
Note payable		1,620,000	
Share capital		750,000	
Share premium		2,030,000	
Retained earnings unappropriated		900,000	
Retained earnings, restricted for note payable		160,000	
Earnings from long-term contracts		6,680,000	
Cost and Expenses			
		<u>5,180,000</u>	
		<u>12,840,000</u>	<u>12,840,000</u>

- The entity used the percentage-of-completion method to account for long-term construction contracts for financial and income tax purpose. All receivables on these contract are considered to be collectible within 12 months
- During 2020, estimated tax payments of P450,000 were charge to prepaid taxes. The entity has not recorded income tax expense. There were no temporary or permanent differences. The tax rate is 30%

On December 31, 2020, what amount should be reported as

1. Total current assets?
 - a. 4,100,000
 - b. 5,000,000
 - c. 5,700,000
 - d. 6,225,000
2. Total noncurrent liabilities?
 - a. 1,620,000
 - b. 1,780,000
 - c. 2,320,000
 - d. 2,560,000
3. Total retained earning?
 - a. 1,950,000
 - b. 2,110,000

- c. 2,400,000
- d. 2,560,000

4. Maria Company reported that the "Revenue" section of the single-step income statement for the current year consisted of the following

Net sales revenue	2,000,000
Loss from discontinued component, including loss on disposal of P12,000, net of tax benefit of P40,000	125,000
Interested revenue	100,000
Gain on sale financial asset	50,000
Unrealized gain on available for sale financial asset	15,000

What total amount should be reported under the "Revenue" section of the income statement?

- a. 2,100,000
- b. 2,150,000
- c. 2,165,000
- d. 2,275,000

5. Carmela Company provided the following information for the current year:

Net sales	1,800,000
Freight in	45,000
Purchase discount	25,000
Ending inventory	120,000
Gross margin on sales	40%

What is the cost of goods available for sale?

- a. 840,000
- b. 960,000
- c. 1,200,000
- d. 1,220,000

6. Troy Company reports operating expenses as selling and general and administrative. The adjusted trial balance at year-end included the following:

Accounting and legal fees	25,000
Advertising	150,000
Freight out	80,000
Interest expense	70,000
Loss on of long term investment	30,000
Officer's salaries	225,000
Rent for office space	220,000
Sales salaries and commissions	140,000

One-half of the rented premises is occupied by the sales department. What amount should be reported as total selling expense?

- a. 360,000
- b. 370,000

- c. 400,000
- d. 480,000

7. Wong Company prepared an income statement for the current year which include legal and audit fees of P1,700,000 rent for office space P2, 400,000 interest on inventory loan P2,100,000 and loss on abandoned data processing equipment P350,000. The office space is used equally by sales department and accounting department. What total amount should be included in general and administrative?
- a. 2,900,000
 - b. 3,250,000
 - c. 4,100,000
 - d. 5,000,000
8. On December 1, 2020, Andrew Company committed to a plan to dispose of a business component's assets. The disposal meets the requirements to be classified as discontinue operation. On that date, the entity estimated that the loss from the disposition of the assets would be P700,000 and the components operating loss was P200,000. Disregarding income tax, what amount of loss should be reported for discontinued operation for 2020?
- a. 0
 - b. 200,000
 - c. 700,000
 - d. 900,000
9. Palmyra Company has net income of P1,100,000, a positive P100,000 net cumulative effect of change in accounting policy, a P300,000 unrealized loss on available-for-sale securities, a positive P200,000 foreign current translation adjustment, and P600,000 increase in share capital. What is the comprehensive income?
- a. 400,000
 - b. 1,000,000
 - c. 1,100,000
 - d. 1,700,000
10. Nicole Company provided the following net of tax figures for the current year:
- | | |
|--|-----------|
| Net remeasurement loss on defined benefit plan | 300,000 |
| Unrealized gain on available for sale securities | 1,500,000 |
| Reclassification adjustment for gain on sale of available-for-sale | |
| Securities included in net income | 250,000 |
| Share warrants outstanding | 400,000 |
| Net income | 7,700,000 |
- What is the comprehensive income for the current year
- a. 8,650,000
 - b. 8,900,000
 - c. 8,950,000
 - d. 9,050,000

11. Jacqueline Company reported net income of P3,000,000 for the current year

Changes occurred in certain accounts as follows:

Equipment	250,000 increase
Accumulated	400,000 increase
Note payable	300,000 increase

During the year, the entity sold equipment costing P250,000 with accumulated depreciation of P120,000 for a gain of P50,000. In December of the current year, the entity purchased equipment costing P500,000 with P200,000 cash and a 12% note payable of P300,000. In the statement of cash flow, what amount should be reported as net cash provided by operating activities

- a. 3,400,000
- b. 3,470,000
- c. 3,520,000
- d. 3,570,000

12. In the 2020, a storm surge completely destroyed a building belonging to Holland Company. The building cost P100,000 and had accumulated depreciation of P48,000 cash of P48,000 at the time of the loss/ The entity received a cash settlement from the insurance entity and reported a loss of P21,000. In the 2020 statement of cash flow, what is net change reported in the investing activities?

- a. 10,000 increase
- b. 21,000 decrease
- c. 31,000 increase
- d. 52,000 decrease

13. Fara Company reported bonds payable of P47,000 on December 31, 2020, and P50,000 on December 31, 2019. During 2021, the entity issued P20,000 of bonds payable in exchange for equipment. There was no amortization of bond premium or discount during the year. What amount should be reported in the 2021 statement of cash flows for redemption of bonds payable?

- a. 3,000
- b. 17,000
- c. 20,000
- d. 23,000

14. King Company provided the following information for the current year

Dividends paid	300,000
Proceeds from issuance of shares	250,000
Borrowing under a line of credit	200,000
Proceeds from issuance of convertible bonds	100,000
Proceeds from sale of building	150,000

What is the increase in cash flow provided by financing activities?

- a. 50,000

- b. 150,000
- c. 250,000
- d. 550,000

Question 15 thru 17 based on the following information

Vanessa Company provided the following data:

	2020	2019
Cash	350,000	150,000
Accounts receivable, net	840,000	580,000
Merchandise inventory	660,000	420,000
Prepaid expenses	50,000	100,000
Long-term investment	80,000	-----
Property, plant and equipment	1,130,000	600,000
Accumulated depreciation	110,000	50,000
Account payable	530,000	440,000
Accrued expense	140,000	130,000
Dividend payable	70,000	-----
Note payable- long term debt	500,000	-----
Share capital	1,200,000	900,000
Retained earnings	560,000	330,000
Net credit sales	6,400,000	4,000,000
Cost of goods sold	5,000,000	3,200,000
Expense	1,000,000	520,000
Net income	400,000	280,000

All account receivable and accounts payable relate to trade merchandise. Accounts payable are recorded net and always paid to take all of the discounts allowed. The allowance for doubtful accounts at the end of 2020 was the same as at the end of 2019. No receivables were charge against the allowance during 2020.

The proceeds from the note were used to finance a new store building. Share capital was sold to provide additional working capital.

15. What is the net cash provided by operating activities for the current year?

- a. 100,000
- b. 110,000
- c. 200,000
- d. 400,000

16. What is the net cash used in investing for the current year?

- a. 80,000
- b. 530,000
- c. 610,000
- d. 660,000

17. What is the net cash provided by financing activities for the current year?

- a. 140,000
- b. 300,000
- c. 500,000
- d. 700,000

18. Ina Company, a publicly-owned entity, assesses performance and makes operating decisions using for the reportable segments total revenue of P7,6800 and total profit and loss of P406,000. The total profit and loss included intersegment profit of 61,000. In addition, the entity has P5,000 of common cost for the reportable segments that are not allocated in reports reviewed by the chief operating decision maker. For purpose of segment reporting, what amount should be reported as segment profit of the reportable segments?

- a. 345,000
- b. 350,000
- c. 406,000
- d. 411,000

19. Jessa Company reported P4,750,000 net income for the quarter ended September 30, 2022 which included the following after tax items:

- A P300,000 expropriation gain, realized on April 30, 2020, was allocated equally to the second, third and fourth quarters of 2022.
- An P800,000 cumulative-effect loss resulting from a change in inventory valuation method was recognized on August 1, 2022

The entity paid P2,400,000 on February 1, 2022 for 2022 calendar year property taxes. Of this amount, P600,000 was allocated to the third quarter ended September 30, 2022. What amount should be reported as net income for the third quarter?

- a. 4,500,000
- b. 5,150,000
- c. 5,550,000
- d. 5,750,000

20. Julius Company had the following account balance on December 31, 2019:

Cash in bank	5,200,000
Cash on hand	350,000
Cash fund set aside for dividend payable in 2020	200,000
Cash fund set aside for land acquisition in 2020	1,500,000

The cash in bank include P250,000 compensating balance against short-term borrowing and is not legally restricted as to withdrawal. The cash on hand included a check of P100,000 payable to the entity date January 3, 2020.

What amount should be reported as cash under current assets on the December 31, 2019?

- a. 5,400,000
- b. 5,650,000
- c. 5,750,000

d. 7,150,000

21. Annibelle Company provided the following account balance on December 31, 2019:

Cash in bank	2,250,000
Cash on hand	125,000
Cash restricted for addition to plant expected to be disbursed in 2020	1,600,000
Cash in money market account	750,000
Treasury bill purchase November 1, 2019 maturing January 31, 2020	3,500,000
Treasury bill purchase December 1, 2019 maturing	

Cash in bank included P600,000 of comprehensive balance against short-term borrowing arrangement. The compensating balance is not legally restricted as to withdraw. What total amount should be reported as cash and cash equivalent on December 31, 2019?

- a. 6,025,000
- b. 6,625,000
- c. 8,225,000
- d. 8,625,000

22. Pope Company had the following bank reconciliation at March 31, 2019:

Balance per bank statement 3/31/2019	46,500
Add deposit in transit	<u>10,300</u>
Total	56,800
Less outstanding checks	<u>12,600</u>
Balance per book, 3/31/2019	<u>44,200</u>

Data per bank the month if April 2019 follow:

Deposits	58,400
Disbursements	49,700

All reconciling items on March 31, 2019 cleared the bank in April. Outstanding checks on April 30 2019 totaled P7,000. There were no deposits in transit on April 30, 2019

- a. 48,200
- b. 52,900
- c. 55,200
- d. 58,500

23. Janine Company prepared the following bank reconciliation on June 30:

Balance per bank	9,800,000
Deposit in transit	400,000
Outstanding checks	<u>(1,400,000)</u>
Balance per book	<u>8,800,000</u>

There were total deposit of P6,500,000 and charges for disbursement of P9,000,000 for July per bank statement. All reconciliation items on June 30 cleared the bank on July 31. Checks

outstanding amounted to P1,000,000 on July 31. What is the amount of cash disbursement per book in July?

- a. 7,600,000
- b. 8,400,000
- c. 8,600,000
- d. 9,400,000

24. Terra Company used the imprest system in accounting for petty cash fund. The fund had a imprest balance of P20,000 at year-end which consisted of currency and coins P1,000, employees advance P3,000, currency in envelope marked "collection for Christmas Party" P2,000, check drawn by Terra Company payable to petty cashier representing salary P14,000. What is included in the entry to adjust the petty cash at year-end?

- a. Debit cash short/over P2,000
- b. Debit petty cash fund P15,000
- c. Credit cash short/over P2,000
- d. Credit advances to employees P3,000
- e.

25. Arwin Company revealed the following information for 2019:

Account receivable	650,000
Credit sales	2,700,000
Sales returns	75,000
Collection from customers	2,150,000
Account written off	40,000
Estimated future sales returns at year-end	50,000
Estimated uncollectible accounts receivable at year-end per aging	110,000

On December 31, 2019, what is the balance of accounts receivable before allowance for doubtful accounts and allowance for sales returns?

- a. 925,000
- b. 1,085,000
- c. 1,125,000
- d. 1,200,000

26. Inge Company determined the net value of accounts receivable on December 31, 2019 based on an aging of accounts receivable was P325,000

Allowance for uncollectible accounts receivable was P325,000	30,000
Uncollectible accounts written-off during 2019	18,000
Uncollectible accounts recovered during 2019	2,000
Accounts receivable on 12/31/2019	350,000

What is the uncollectible accounts expense for the current year?

- a. 5,000
- b. 11,000
- c. 15,000
- d. 21,000

27. Brat Company adopted the aging method of estimation doubtful accounts on December 31, 2019. The following data are available for the current year: k

Allowance for doubtful accounts, January 1	2,500,000
Provision for doubtful accounts recorded during the year	
based on credit sales	2,000,000
Recoveries of account written off	500,000
Account written off	2,050,000
Estimated uncollectible accounts per aging on December 31	2,200,000
Estimated is the future sales return	1,500,000

What is the year-end adjustment to the allowance for doubtful accounts?

- a. 250,000 debit
 - b. 250,000 credit
 - c. 750,000 debit
 - d. 750,000 credit
28. At year-end, Janna Company reported allowance for doubtful accounts with a debit balance of P50,000 and let net sales of P9,000,000 before adjustment. The entity estimated uncollectible accounts receivable at 5% of net sales. What is the allowance for doubtful accounts at year-end?
- a. 400,000
 - b. 450,000
 - c. 500,000
 - d. 550,000
29. On January 1, 2019, Jamin Company had a credit balance of P260,000 in the allowance for uncollectible accounts. Based on past experience, 2% of credit sales would be uncollectible. During the year, the entity wrote off P325,000 of uncollectible accounts. Credit sales for the year were P9,000,000. On December 31, 2019, what amount should be reported as allowance for uncollectible accounts?
- a. 115,000
 - b. 180,000
 - c. 245,000
 - d. 440,000
30. Klaire Company provided the following information about receivable on December 31 2019:
- | | | |
|---------------------------|-----------|------------------------|
| 0-60 days outstanding | 6,000,000 | 5%uncollectible |
| 61-120 days outstanding | 4,500,000 | 10%uncollectible |
| Over 120 days outstanding | 5,000,000 | 1,250,000uncollectible |
- During the entity wrote off P700,000 in accounts receivable and recovered P300,000 that had been written off in prior years. On January 1, 2019, the allowance for uncollectible accounts was P500,000. Under the aging method, what amount of uncollectible accounts expense should be reported for 2019?
- a. 1,900,000

- b. 2,000,000
- c. 2,100,000
- d. 2,200,000

31. Delta Company sells to wholesalers on terms of 2/15, net 30. The entity has no cash sales but 50% of the customers take advantage of the discount. The entity uses the gross method of recording sales and accounts receivable. An analysis on December 31, 2019 revealed the following

<u>Age</u>	<u>Amount</u>	<u>Collectible</u>
0-15 days	100,000	100%
16-30 days	60,000	95%
31-60 days	5,000	90%
Over 60 days	2,500	50%

On December 31, 2019, what amount should be reported as allowance for discounts?

- a. 1,000
- b. 1,620
- c. 1,675
- d. 2,000

32. Veronica Company reported current receivables on December 31, 2019 which consisted of the following:

The accounts receivable	930,000
Allowance for uncollectible accounts	20,000
Claim against shipper for goods lost in transit in November 2019	30,000
Selling price of unsold good sent by Veronica on consignment at 130% of cost and not included in the ending inventory	260,000
Security deposit on lease of warehouse used for storing inventory	300,000

What is the correct total current net receivable on December 31, 2019?

- a. 940,000
- b. 1,200,000
- c. 1,240,000
- d. 1,500,000

33. Meredith Company provided the following information:

	January 1, 2019	December 31, 2019
Accounts receivable	2,400,000	
Allowance for doubtful accounts	120,000	
Sales accounts		16,000,000
Cash collection from customers		14,000,000

The cash collection included recovery of P20,000 from a customer whose account had been written off as worthless in 2018. During, it was necessary to recognize doubtful accounts expense of P200,000 and write off worthless accounts of P60,000. On December 1, 2019, a

customer settled an account by issuing a 12% six-month note for P800,000. What is the net realizable value of accounts receivable on December 31, 2019?

- a. 3,260,000
- b. 3,280,000
- c. 3,340,000
- d. 3,560,000

34. On December 31, 2019, what amount should be reported as note receivable?

- a. 450,000
- b. 460,000
- c. 625,000
- d. 671,000

35. On December 28, 2019, Paolo Company purchased goods costing P500,000. The terms were F.O.B destination. Some of the costs incurred in connection with the sale and delivery of the goods were packaging for shipment P10,000, shipping P15,000, and special handling charge P25,000. These goods were received on December 31, 2019. On December 31, 2019, what total cost our these goods should be included inventory?

- a. 500,000
- b. 520,000
- c. 553,000
- d. 545,000

36. On December 15, 2019 Flanagan Company purchased goods costing P100,000. The term were FOB shipping point. Cost incurred by the entity in connection with the purchase and delivery of the goods were as follows:

Normal freight charge	3,000
Handling cost	2,000
Insurance on shipment	500
Abnormal freight charge for expense shipping	1,200

The goods were received on December 31, 2019. What is the amount that should be charged to inventory and expense respectively?

- a. 3,000 and 3,700
- b. 5,000 and 1,700
- c. 5,500 and 1,700
- d. 6,700 and 0

37. Opal Company reported the following items that were included in inventory at year-end:

Merchandise out on consignment, at sales price,	
Including 40% markup on selling price	40,000
Goods purchased i transit shipped FBO shipping point	36,000
Goods held on consignment by Opal Company	27,000

By what amount should the inventory be reduced?

- a. 43,000

- b. 51,000
- c. 67,000
- d. 103,000

38. Herc Company reported inventory on December 31, 2019 at P1,500,000 based on a physical count period at cost and before any necessary adjustment for the following:

- Merchandise costing P90,000, shipped FBO shipping from a vendor on December 30, 2019 was received and recorded on January 5, 2020.
- Goods in the shipping area were excluded from inventory although shipment was not made until January 4, 2020. The goods billed to the customer FBO shipping point on December 30, 2019 had a cost of P120,000

What amount should be reported as inventory on December 31, 2019?

- a. 1,500,000
- b. 1,590,000
- c. 1,620,000
- d. 1,710,000

39. A physical count on December 31, 2019 revealed that Tones Company had inventory with a cost P4,400,000. The following items were excluded from this amount:

- Merchandise of P600,000 is held on consignment by Tones
- Goods costing P400,000 was shipped by Tones "Ex-ship" to a customer on December 31, 2019. The customer received the goods on January 3, 2020.
- Merchandise costing P500,000 was shipped by Tones "Free alongside" to a customer on December 29, 2019. The customer received the goods on January 6, 2020
- Goods costing P800,000 shipped by a vendor FBO destination on December 31, 2019 was received by tones on January 10 2020
- Goods costing P700,000 was shipped by a supplier "CFI" on December 30, 2019 and received by Tones on January 10, 2020

What is the correct amount of inventory on December 31, 2019?

- a. 4,900,000
- b. 5,400,000
- c. 5,500,000
- d. 6,000,000

40. During the current year, Isabel Company paid P100,000 cash traded inventory which had a carrying amount of P2,000,000 and a fair value of P2,100,000 for other inventory in the sale line of business with a fair value of P2,200,000. What amount should be recorded as cost of the inventory received in exchange?

- a. 2,000,000
- b. 2,100,000
- c. 2,200,000
- d. 2,300,000

41. During the current year, Bred Company exchange inventory with Oreo Company. The configuration of cash flows before and after the exchange does not significantly differ. Bred's inventory had fair value of P2,800,000 and Bred appropriately recorded the inventory received in exchange at P2,600,000. Oreo inventory had a fair value of P2,500,000 and Oreo appropriately recorded the inventory received in exchange at P2,300,000. Oreo paid P300,000 to Bred to make up for the difference in fair value. What was the carrying amount of Bred's inventory?
- a. 2,000,000
 - b. 2,300,000
 - c. 2,600,000
 - d. 2,900,000

42. Gecelle Company reported during the current year beginning inventory P500,000, net purchased P2,500,000 and net sales P3,200,000, a physical inventory at year-end result in an inventory of P575,000 the gross profit on sales has remained constant at 25%. The entity suspected that some inventory may have been taken by a new employee. What is the estimated cost of missing inventory at year-end?
- a. 25,000
 - b. 100,000
 - c. 175,000
 - d. 225,000

43. Danika Company provided the following information for the current year:

Inventory, January 1	1,300,000
Purchases	4,600,000
Purchase returns	100,000
Freight-in	200,000
Sales	6,800,000
Sales discounts	100,000
Sales returns	300,000

At year-end, physical inventory revealed that the ending inventory was only P850,000. The gross profit on sales was 30%. The entity suspected that some inventory may have been pilfered.

What is the estimated cost of missing inventory at year-end?

- a. 600,000
 - b. 670,000
 - c. 1,450,000
 - d. 1,520,000
44. Mars Company is engaged in dairy livestock and provided the following for current year:
- | | |
|---|-----------|
| Carrying amount of biological assets on January 1 | 5,000,000 |
| Increase due to purchase | 2,000,000 |

Gain attribute to price change of biological asset	1,000,000
Gain attribute to physical change of biological asset	600,000
Milk produced during the year but unsold at year-end	100,000

What is the carrying amount of biological asset at year-end?

- a. 8,000,000
- b. 8,600,000
- c. 8,100,000
- d. 8,700,000

45. On January 1, 2021, Rainier Company purchased 12% bonds with face value of P5,000,000 for P5,380,000. The bonds provide an effective yield of 10%. The bonds are dated January 1, 2019, matured on January 1 2024 and pay interest annually on December 31 of each year. The bonds are quoted at 120 on the December 31, 2019. The entity selected the fair value option for the bond investment. What total income should be reported for 2019?

- a. 600,000
- b. 1,120,000
- c. 1,138,000
- d. 1,220,000

46. On September 1, Start Company received P500,000 cash dividend from Sun Company in which Star Company owned a 30% interest. On October 1, star Company received P100,000 liquidating dividend from Moon Company. Star Company owned a 5% interest in Moon Company. Star Company owned a 10% interest in Sky Company which declared a P2,000,000 cash dividend on December 31. What amount of dividend revenue should be reported for the current year?

- a. 200,000
- b. 600,000
- c. 700,000
- d. 800,000

47. Sage Company bought 40% of an invested on January 1, 2019 for P400,000. The carrying amount of the investee's net assets at the purchase date totaled P900,000. Fair value and carrying amounts were the same for all items except for plant and inventory, for which fair values exceed their carrying amounts by P90,000 and P10,000 respectively. The plant has an eighteen-year life. All inventory was sold during 2019 the investee reported net income of P120,000 and paid a P20,000 cash dividend. What amount should be reported as income from the investment in associate for 2019?

- a. 32,000
- b. 36,000
- c. 42,000
- d. 48,000

48. On July 1, 2019, Diamond Company paid P1,000,000 for 100,000 outstanding shares (40%) of Ashley Company at that date, the net assets of Ashley totaled P2,500,000 and the fair values of all of Ashley identifiable assets and liabilities were equal to their carrying amount. Ashley reported net income of P500,000 for 2019, of which P300,000 was for the six months ended December 31, 2019 Ashley paid cash dividends of P250,000 on September 30, 2019. Diamond does not elect the fair value option for reporting the investment in Ashley. What amount of income should Diamond report from the investment in Ashley?
- 80,000
 - 100,000
 - 120,000
 - 200,000

49. Moss Company owns 20% of Dubro Company's preference and 80% of the ordinary shares. Dubro's share capital outstanding on December 31, 2019 is as follows:

10% cumulative preference share capital	100,000
Ordinary share capital	700,000

Dubro reported net income of P60,000 for 2019. Moss does not elect the fair value option to reported as equity in earnings of Dubro for 2019?

- 42,000
 - 48,000
 - 48,400
 - 50,000
50. Rock Company purchase 30% of Dale Company's ordinary shares on January 1, 2019. The purchase resulted in no goodwill or excess fair value
- Dale sold goods costing P500,000 for P750,000 to Rock in 2019. On December 31, 201, the goods remained unsold by Rock. In 2020, Rock sold such goods to the regular customers.
 - On January 1, 2019, Dale also sold machinery with carrying amount of P3,000,000 to Rock for P4, 200,000. The machinery's remaining life was 6 years
 - Dale reported net income of P 3,500,000 and P2,500,000 in the 2019 and 2020, respectively.
- What amount of equity in earnings of Dale should Rock report for 2020?
- 657,000
 - 750,000
 - 825,000
 - 885,000

51. On January 1, 2019, Gerald Company purchased 10% of Dana company's outstanding ordinary shares for P4,000,000. Gerald is the largest single shareholder in Dana and Gerald's officer are majority of Dana's board of directors. The investee reported net income of P5,000,000 for 2019 and paid dividends of P1,500,000. On December 31, 2019, what amount should be reported as investment in Dana Company?
- 3,850,000

- b. 4,000,000
- c. 4,350,000
- d. 4,500,000

52. On January 1, 2019, Kean Company purchased a 30% interest for P250,000. On this date, the investee's shareholder's equity was P500,000. The carrying amounts of the investee's identifiable net assets approximated fair value, except for land whose fair value exceeded carrying amount by P200,000. The investee reported net income of P100,000 for 2019 and paid in dividends. On December 31, 2019, what amount should be reported as investment in associate?
- a. 210,000
 - b. 220,000
 - c. 270,000
 - d. 280,000
53. On January 1, 2019, Remy Company acquired 200,000 ordinary shares of Global Company for P9,000,000. At the time of purchase, Global Company had outstanding 800,000 shares with a carrying amount of P36,000,000. Global company reported net income of P1,800,000 for 2019, Remy Company received from Global Company a dividend of P150,000 during the year. The market value of Global Company share had temporarily declined to P40. Remy Company elected to measure the investment at fair value through other comprehensive income. What is the carrying amount of the investment on December 31, 2019?
- a. 8,000,000
 - b. 9,000,000
 - c. 9,300,000
 - d. 9,450,000
54. On January 1, 2019, Buff Company purchase 25,000 shares or 10% interest of Clean Company for P2,000,000. Buff used the cost method to account for this investment. Clean reported net income of P4,000,000 and paid no additional shares of Clean Company. The fair value of the existing 10% interest was P1,700,000 on January 1, 2020. The fair values of the identifiable net assets of Clean Company equal the carrying amount of P20,000,000 on such date except for land whose fair value is greater than carrying amount by P4,000,000. The investee reported net income of P6,000,000 for 2020 and paid dividends of P10 shares. What is the carrying amount of the investment in associate on December 31, 2020?
- a. 6,700,000
 - b. 7,750,000
 - c. 8,250,000
 - d. 8,550,000
55. On January 1, 2019, Jenica Company acquired 10% of the outstanding ordinary shares of an investee for P4,000,000. On January 1, 2020, the entity acquired an additional 20% of the investee's outstanding ordinary shares for P10,000,000. The fair value of the investee's net

assets equaled carrying amount on January 1, 2020. The fair value of the 10% interest on January 1, 2020 was P6,000,000. The investee reported the following

	2019	2020
Dividend paid	2,000,000	3,000,000
Net income	6,000,000	7,000,000

What is the carrying amount of the investment in associate on December 31, 2020?

- a. 15,200,000
- b. 16,000,000
- c. 17,200,000
- d. 17,600,000

56. During the year, King Company made the following expenditures relating to plant building:

Continuing and frequent repairs	40,000
Repainted the plant building	10,000
Major improvements to the electrical wiring system	32,000
Partial replacement of roof tiles	14,000

How much should be charge to repair and maintenance expense?

- a. 54,000
- b. 64,000
- c. 82,000
- d. 96,000

57. On January 1, 2019, Harbor Company purchased land and building as a single cost of P20,000,000. On this date, it was determined that the land and building had a fair value of P18,000,000 and P7,000,000 respectively. The entity also incurred legal fees for purchase contract and recording ownership P200,000 and title guarantee insurance P100,000. The entity immediately demolished the building to make way for construction of new building to be used as owner-occupied. The total contract price and other directly attributable cost to the building amounted to P15,000,000. The entity incurred demolition cost of P350,000. Under the PIC Interpretation, what is the initial cost of the land?

- a. 14,700,000
- b. 15,050,000
- c. 15,350,000
- d. 20,300,000

58. On December 1, 2019, Boyd Company purchased a P400,000 tract of land as an investment property. The entity razed an old building on the property and sold the materials it's salvaged from the demolition. The entity incurred additional cost and realized salvage proceeds as follows:

Demolition of old building	50,000
Legal fees for purchase contract and recording ownership	10,000
Title guarantee insurance	12,000

Proceeds from sale of salvaged materials 8,000

On December 31, 2019, what is the carrying amount of the land?

- a. 422,000
- b. 242,000
- c. 460,000
- d. 464,000

59. Isabel Company purchased for P4,500,000 a tract of land as factory site. An existing building on the property was razed and construction was begun on a new factory building . the entity incurred the following costs:

Cost of razing old building, net of proceeds from salvaged materials	300,000
Title insurance and legal fees to purchase land	200,000
Architect fee	950,000
New building construction cost	8,000,000

What is the cost of building in accordance with PCI Interpretation?

- a. 8,950,000
- b. 9,150,000
- c. 9,250,000
- d. 9,450,000

60. During the current ear, Kim Company had the following transaction pertaining to new office building:

Purchase price of land and an old unstable building	3,000,000
Legal fee for contract to purchase land	100,000
Architect fee	400,000
Demolition of old building to make room for new building construction	250,000
Sale of scrap from old building	50,000
Construction cost of new building fully completed	15,000,000

What amount should be reported as initial cost of the new building?

- a. 15,500,000
- b. 15,600,000
- c. 15,700,000
- d. 15,750,000

61. Punk Company acquired land and an existing building in exchange for 60,000 ordinary shares. The real property tax billed showed as assessed value of P3,000,000 for the land and P2,000,000 for the building. The shares have a par value of P100 and a fair of P150 per share. Punk also incurred the following costs:

Payment to tenants to vacate the building	100,000
Unpaid property taxes on land and building assumed by Punk	375,000
Assessment by city for sewerage project	10,000
Driveways and parking bays	550,000
Cost grading and leveling	50,000
Cost new wing attached to the building	750,000
Cost of new split type air-conditioning units	300,000
Remodeling cost prior to occupancy	200,000

What is the total cost of the building?

- a. 4,560,000
- b. 4,800,000
- c. 5,025,000
- d. 5,100,000

62. Amble Company exchange a truck with a carrying amount of P12,000 and a fair value of P20,000 cash. The cash flow from the new truck are not expected to be significantly different from the cash flows the old truck. The fair value of the truck received was P17,500 at what amount should Amble record the truck received in the exchange?

- A. 7,000
- B. 9,500
- C. 10,500
- D. 17,500

63. On January 1, 2021, Karlo Company constructed a building costing P4,215,000. The weight-average accumulated expenditures on the building during 2021 was P3,900,000. The entity borrowed P2,000,000 at 7.5% on January 1 2021. Funds not needed for construction were temporarily invested in short-term securities and earned P59,000 in interest revenue. In addition to the construction loan, the entity has two other notes outstanding during the year: a P1,500,000, 10-year, 10% note payable dated October 1, 2019 and a 5-year P1,000,000, 8% note payable dated November 2, 2020. Construction was complete on December 31 2021 and the building is to be leased out under an operating lease. What is the initial cost of the building on December 31, 2021?

- a. 4,165,000
- b. 4,215,000
- c. 4,480,000
- d. 4,539,000

64. Rouse Company installed a production assembly line to manufacture tennis balls. In the current year, the entity acquired a machine and rearranged the assembly line to install the machine. The rearrangement resulted in efficiency in production. The following expenditures were incurred:

Purchase price of the machine (VAT inclusive 12%)	1,008,000
Labor cost to install machine	250,000
Parts added in rearranging the assembly line	400,000
Cost of testing the machine	150,000
Proceeds from sale of sample produced from testing	50,000
Cost of training worker who will operate the machine	100,000

What is the initial cost of the machine?

- a. 1,250,000
- b. 1,300,000
- c. 1,350,000
- d. 1,650,000

65. During 2023, Leah Company constructed asset costing P5,000,000. The weighted average expenditures totaled P3,000,000. To help for construction, an amount of P2,200,000 was borrowed at 10% on January 1 2023, and funds not needed for construction were temporarily invested in short-term securities yield P50,000 in interest revenue. Other than the construction funds

borrowed, the only other debt outstanding during the year was P2,500,000 10-year, 12% note payable dated January 1 2020. What amount of interest should be capitalize during 2023?

- a. 266,000
- b. 300,000
- c. 470,000
- d. 500,000

66. In January 2019, Mark Company purchase a mineral mine for P36,000,000 with removable ore estimated by geological survey at 4,000,000 tons. The property has an estimated value of 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. The entity is required to restore the property to the original condition at an estimated restoration cost is P1,800,000. During 2019, 400,000 tons were removed and 300,000 tons were sold. For the year ended December 31, 2019, what amount of depletion should be included in cost of goods sold?

- a. 3,375,000
- b. 3,472,000
- c. 4,500,000
- d. 4,570,000

67. Greene Company bought a patent from White Company on January 1, 2019 for P102,000. An independent research consulting estimated that the remaining useful life of the patent was four years. The remaining legal life was six years. The unamortized cost of the patent on January 1 2019 P300,000. What is the amortization of patent for 2019?

- a. 5,000
- b. 7,500
- c. 17,000
- d. 25,500

68. On December 1, 2019, Popular Company purchase for cash at P18 per share all 200,000 shares of Spruce Company. On December 1, 2019, Spruce showed a carrying amount of net assets of P3,200,000. The carrying amounts are equal to fair values of all the identified assets except property, plant and equipment. The fair value of property, plant and equipment exceeded carrying amount by P150,000. What amount should be reported as goodwill?

- a. 0
- b. 250,000
- c. 400,000
- d. 550,000

69. On January 1, 2019, Paye Company purchased another entity at cost that resulted in recognition of goodwill of P200,000. During the first quarter the entity spent an additional P80,000 on expenditures designed to maintain goodwill. On December 31 2019, what amount should be reported as goodwill?

- a. 180,000
- b. 200,000
- c. 252,000
- d. 280,000

Questions 1 thru 3 are based on the following information

Joanna Company provided the following trial balance on December 31, 2019 which has been adjusted except for income tax expense:

Cash		600,000
Account receivable		3,500,000
Cost in excess of billing on long-term contracts		1,600,000
Billing in excess of cost on long-term contracts		700,000
Prepaid taxes	450,000	
Property, plant & Equipment, net	1,510,000	
Note payable		1,620,000
Share capital		750,000
Share premium		2,030,000
Retained earnings unappropriated		900,000
Retained earnings, restricted for note payable		160,000
Earnings from long-term contracts		6,680,000
Cost and Expenses		
		<u>5,180,000</u>
		<u>12,840,000</u> <u>12,840,000</u>

- The entity used the percentage-of-completion method to account for long-term construction contracts for financial and income tax purpose. All receivables on these contract are considered to be collectible within 12 months
- During 2019, estimated tax payments of P450,000 were charge to prepaid taxes. The entity has not recorded income tax expense. There were no temporary or permanent differences. The tax rate is 30%

On December 31, 2019, what amount should be reported as

1. Total current assets?
 - a. 4,100,000
 - b. 5,000,000
 - c. 5,700,000
 - d. 6,225,000
2. Total noncurrent liabilities?
 - a. 1,620,000
 - b. 1,780,000
 - c. 2,320,000
 - d. 2,560,000
3. Total retained earning?
 - a. 1,950,000
 - b. 2,110,000

- c. 2,400,000
- d. 2,560,000

4. Maria Company reported that the "Revenue" section of the single-step income statement for the current year consisted of the following

Net sales revenue	2,000,000
Loss from discontinued component, including loss on disposal of P12,000, net of tax benefit of P40,000	125,000
Interested revenue	100,000
Gain on sale financial asset	50,000
Unrealized gain on available for sale financial asset	15,000

What total amount should be reported under the "Revenue" section of the income statement?

- a. 2,100,000
- b. 2,150,000**
- c. 2,165,000
- d. 2,275,000

5. Carmela Company provided the following information for the current year:

Net sales	1,800,000
Freight in	45,000
Purchase discount	25,000
Ending inventory	120,000
Gross margin on sales	40%

What is the cost of goods available for sale?

- a. 840,000
- b. 960,000
- c. 1,200,000**
- d. 1,220,000

6. Troy Company reports operating expenses as selling and general and administrative. The adjusted trial balance at year-end included the following:

Accounting and legal fees	25,000
Advertising	150,000
Freight out	80,000
Interest expense	70,000
Loss on of long term investment	30,000
Officer's salaries	225,000
Rent for office space	220,000
Sales salaries and commissions	140,000

One-half of the rented premises is occupied by the sales department. What amount should be reported as total selling expense?

- a. 360,000
- b. 370,000

- c. 400,000
- d. 480,000

7. Wong Company prepared an income statement for the current year which include legal and audit fees of P1,700,000 rent for office space P2, 400,000 interest on inventory loan P2,100,000 and loss on abandoned data processing equipment P350,000. The office space is used equally by sales department and accounting department. What total amount should be included in general and administrative?

- a. 2,900,000
- b. 3,250,000
- c. 4,100,000
- d. 5,000,000

8. On December 1, 2019, Andrew Company committed to a plan to dispose of a business component's assets. The disposal meets the requirements to be classified as discontinue operation. On that date, the entity estimated that the loss from the disposition of the assets would be P700,000 and the components operating loss was P200,000. Disregarding income tax, what amount of loss should be reported for discontinued operation for 2019?

- a. 0
- b. 200,000
- c. 700,000
- d. 900,000

9. Palmyra Company has net income of P1,100,000, a positive P100,000 net cumulative effect of change in accounting policy, a P300,000 unrealized loss on available-for-sale securities, a positive P200,000 foreign current translation adjustment, and P600,000 increase in share capital. What is the comprehensive income?

- a. 400,000
- b. 1,000,000
- c. 1,100,000
- d. 1,700,000

10. Nicole Company provided the following net of tax figures for the current year:

Net remeasurement loss on defined benefit plan	300,000
Unrealized gain on available for sale securities	1,500,000
Reclassification adjustment for gain on sale of available-for-sale	
Securities included in net income	250,000
Share warrants outstanding	400,000
Net income	7,700,000

What is the comprehensive income for the current year

- a. 8,650,000
- b. 8,900,000
- c. 8,950,000
- d. 9,050,000

11. Jacqueline Company reported net income of P3,000,000 for the current year

Changes occurred in certain accounts as follows:

Equipment	250,000 increase
Accumulated	400,000 increase
Note payable	300,000 increase

During the year, the entity sold equipment costing P250,000 with accumulated depreciation of P120,000 for a gain of P50,000. In December of the current year, the entity purchased equipment costing P500,000 with P200,000 cash and a 12% note payable of P300,000. In the statement of cash flow, what amount should be reported as net cash provided by operating activities

- a. 3,400,000
- b. 3,470,000**
- c. 3,520,000
- d. 3,570,000

12. In the 2019, a storm surge completely destroyed a building belonging to Holland Company.

The building cost P100,000 and had accumulated depreciation of P48,000 cash of P48,000 at the time of the loss/ The entity received a cash settlement from the insurance entity and reported a loss of P21,000. In the 2019 statement of cash flow, what is net change reported in the investing activities?

- a. 10,000 increase
- b. 21,000 decrease
- c. 31,000 increase**
- d. 52,000 decrease

13. Fara Company reported bonds payable of P47,000 on December 31, 2020 and P50,000 on December 31, 2021. During 2021, the entity issued P20,000 of bonds payable in exchange for equipment. There was no amortization of bond premium or discount during the year. What amount should be reported in the 2021 statement of cash flows for redemption of bonds payable?

- a. 3,000
- b. 17,000**
- c. 20,000
- d. 23,000

14. King Company provided the following information for the current year

Dividends paid	300,000
Proceeds from issuance of shares	250,000
Borrowing under a line of credit	200,000
Proceeds from issuance of convertible bonds	100,000
Proceeds from sale of building	150,000

What is the increase in cash flow provided by financing activities?

- a. 50,000

- b. 150,000
- c. 250,000**
- d. 550,000

Question 15 thru 17 based on the following information

Vanessa Company provided the following data:

	2020	2019
Cash	350,000	150,000
Accounts receivable, net	840,000	580,000
Merchandise inventory	660,000	420,000
Prepaid expenses	50,000	100,000
Long-term investment	80,000	-----
Property, plant and equipment	1,130,000	600,000
Accumulated depreciation	110,000	50,000
Account payable	530,000	440,000
Accrued expense	140,000	130,000
Dividend payable	70,000	-----
Note payable- long term debt	500,000	-----
Share capital	1,200,000	900,000
Retained earnings	560,000	330,000
Net credit sales	6,400,000	4,000,000
Cost of goods sold	5,000,000	3,200,000
Expense	1,000,000	520,000
Net income	400,000	280,000

All account receivable and accounts payable relate to trade merchandise. Accounts payable are recorded net and always paid to take all of the discounts allowed. The allowance for doubtful accounts at the end of 2020 was the same as at the end of 2019. No receivables were charge against the allowance during 2020.

The proceeds from the note were used to finance a new store building. Share capital was sold to provide additional working capital.

15. What is the net cash provided by operating activities for the current year?

- a. 100,000
- b. 110,000**
- c. 200,000
- d. 400,000

16. What is the net cash used in investing for the current year?

- a. 80,000
- b. 530,000
- c. 610,000**
- d. 660,000

17. What is the net cash provided by financing activities for the current year?

- a. 140,000
- b. 300,000
- c. 500,000
- d. 700,000

18. Ina Company, a publicly-owned entity, assesses performance and makes operating decisions using for the reportable segments total revenue of P7,6800 and total profit and loss of P406,000. The total profit and loss included intersegment profit of 61,000. In addition, the entity has P5,000 of common cost for the reportable segments that are not allocated in reports reviewed by the chief operating decision maker. For purpose of segment reporting, what amount should be reported as segment profit of the reportable segments?

- a. 345,000
- b. 350,000
- c. 406,000
- d. 411,000

19. Jessa Company reported P4,750,000 net income for the quarter ended September 30, 2023 which included the following after tax items:

- A P300,000 expropriation gain, realized on April 30, 2020, was allocated equally to the second, third and fourth quarters of 2023.
- An P800,000 cumulative-effect loss resulting from a change in inventory valuation method was recognized on August 1, 2023

The entity paid P2,400,000 on February 1, 2023 for 2023 calendar year property taxes. Of this amount, P600,000 was allocated to the third quarter ended September 30, 2023. What amount should be reported as net income for the third quarter?

- a. 4,500,000
- b. 5,150,000
- c. 5,550,000
- d. 5,750,000

20. Julius Company had the following account balance on December 31, 2019:

Cash in bank	5,200,000
Cash on hand	350,000
Cash fund set aside for dividend payable in 2020	200,000
Cash fund set aside for land acquisition in 2020	1,500,000

The cash in bank include P250,000 compensating balance against short-term borrowing and is not legally restricted as to withdrawal. The cash on hand included a check of P100,000 payable to the entity date January 3, 2020.

What amount should be reported as cash under current assets on the December 31, 2019?

- a. 5,400,000
- b. 5,650,000
- c. 5,750,000

d. 7,150,000

21. Annibelle Company provided the following account balance on December 31, 2019:

Cash in bank	2,250,000
Cash on hand	125,000
Cash restricted for addition to plant expected to be disbursed in 2020	1,600,000
Cash in money market account	750,000
Treasury bill purchase November 1, 2019 maturing January 31, 2020	3,500,000
Treasury bill purchase December 1, 2019 maturing	

Cash in bank included P600,000 of comprehensive balance against short-term borrowing arrangement. The compensating balance is not legally restricted as to withdraw. What total amount should be reported as cash and cash equivalent on December 31, 2019?

- a. 6,025,000
- b. 6,625,000
- c. 8,225,000
- d. 8,625,000

22. Pope Company had the following bank reconciliation at March 31, 2019:

Balance per bank statement 3/31/2019	46,500
Add deposit in transit	<u>10,300</u>
Total	56,800
Less outstanding checks	<u>12,600</u>
Balance per book, 3/31/2019	<u>44,200</u>

Data per bank the month if April 2019 follow:

Deposits	58,400
Disbursements	49,700

All reconciling items on March 31, 2019 cleared the bank in April. Outstanding checks on April 30 2019 totaled P7,000. There were no deposits in transit on April 30, 2019

- a. 48,200
- b. 52,900
- c. 55,200
- d. 58,500

23. Janine Company prepared the following bank reconciliation on June 30:

Balance per bank	9,800,000
Deposit in transit	400,000
Outstanding checks	<u>(1,400,000)</u>
Balance per book	<u>8,800,000</u>

There were total deposit of P6,500,000 and charges for disbursement of P9,000,000 for July per bank statement. All reconciliation items on June 30 cleared the bank on July 31. Checks

outstanding amounted to P1,000,000 on July 31. What is the amount of cash disbursement per book in July?

- a. 7,600,000
- b. 8,400,000
- c. 8,600,000
- d. 9,400,000

24. Terra Company used the imprest system in accounting for petty cash fund. The fund had a imprest balance of P20,000 at year-end which consisted of currency and coins P1,000, employees advance P3,000, currency in envelope marked "collection for Christmas Party" P2,000, check drawn by Terra Company payable to petty cashier representing salary P14,000. What is included in the entry to adjust the petty cash at year-end?

- a. Debit cash short/over P2,000
- b. Debit petty cash fund P15,000
- c. Credit cash short/over P2,000
- d. Credit advances to employees P3,000
- e.

25. Arwin Company revealed the following information for 2019:

Account receivable	650,000
Credit sales	2,700,000
Sales returns	75,000
Collection from customers	2,150,000
Account written off	40,000
Estimated future sales returns at year-end	50,000
Estimated uncollectible accounts receivable at year-end per aging	110,000

On December 31, 2019, what is the balance of accounts receivable before allowance for doubtful accounts and allowance for sales returns?

- a. 925,000
- b. 1,085,000
- c. 1,125,000
- d. 1,200,000

26. Inge Company determined the net value of accounts receivable on December 31, 2019 based on an aging of accounts receivable was P325,000

Allowance for uncollectible accounts receivable was P325,000	30,000
Uncollectible accounts written-off during 2019	18,000
Uncollectible accounts recovered during 2019	2,000
Accounts receivable on 12/31/2019	350,000

What is the uncollectible accounts expense for the current year?

- a. 5,000
- b. 11,000
- c. 15,000
- d. 21,000

27. Brat Company adopted the aging method of estimation doubtful accounts on December 31, 2019. The following data are available for the current year: k

Allowance for doubtful accounts, January 1	2,500,000
Provision for doubtful accounts recorded during the year	
based on credit sales	2,000,000
Recoveries of account written off	500,000
Account written off	2,050,000
Estimated uncollectible accounts per aging on December 31	2,200,000
Estimated is the future sales return	1,500,000

What is the year-end adjustment to the allowance for doubtful accounts?

- a. 250,000 debit
 - b. 250,000 credit
 - c. 750,000 debit
 - d. 750,000 credit
28. At year-end, Janna Company reported allowance for doubtful accounts with a debit balance of P50,000 and let net sales of P9,000,000 before adjustment. The entity estimated uncollectible accounts receivable at 5% of net sales. What is the allowance for doubtful accounts at year-end?

- a. 400,000
- b. 450,000
- c. 500,000
- d. 550,000

29. On January 1, 2019, Jamin Company had a credit balance of P260,000 in the allowance for uncollectible accounts. Based on past experience, 2% of credit sales would be uncollectible. During the year, the entity wrote off P325,000 of uncollectible accounts. Credit sales for the year were P9,000,000. On December 31, 2019, what amount should be reported as allowance for uncollectible accounts?

- a. 115,000
- b. 180,000
- c. 245,000
- d. 440,000

30. Klaire Company provided the following information about receivable on December 31 2019:

0-60 days outstanding	6,000,000	5%uncollectible
61-120 days outstanding	4,500,000	10%uncollectible
Over 120 days outstanding	5,000,000	1,250,000uncollectible

During the entity wrote off P700,000 in accounts receivable and recovered P300,000 that had been written off in prior years. On January 1, 2019, the allowance for uncollectible accounts was P500,000. Under the aging method, what amount of uncollectible accounts expense should be reported for 2019?

- a. 1,900,000

- b. 2,000,000
- c. 2,100,000
- d. 2,200,000

31. Delta Company sells to wholesalers on terms of 2/15, net 30. The entity has no cash sales but 50% of the customers take advantage of the discount. The entity uses the gross method of recording sales and accounts receivable. An analysis on December 31, 2019 revealed the following

<u>Age</u>	<u>Amount</u>	<u>Collectible</u>
0-15 days	100,000	100%
16-30 days	60,000	95%
31-60 days	5,000	90%
Over 60 days	2,500	50%

On December 31, 2019, what amount should be reported as allowance for discounts?

- a. 1,000
- b. 1,620
- c. 1,675
- d. 2,000

32. Veronica Company reported current receivables on December 31, 2019 which consisted of the following:

The accounts receivable	930,000
Allowance for uncollectible accounts	20,000
Claim against shipper for goods lost in transit in November 2019	30,000
Selling price of unsold good sent by Veronica on consignment at 130% of cost and not included in the ending inventory	260,000
Security deposit on lease of warehouse used for storing inventory	300,000

What is the correct total current net receivable on December 31, 2019?

- a. 940,000
- b. 1,200,000
- c. 1,240,000
- d. 1,500,000

33. Meredith Company provided the following information:

	January 1, 2020	December 31, 2020
Accounts receivable	2,400,000	
Allowance for doubtful accounts	120,000	
Sales accounts		16,000,000
Cash collection from customers		14,000,000

The cash collection included recovery of P20,000 from a customer whose account had been written off as worthless in 2019. During, it was necessary to recognize doubtful accounts expense of P200,000 and write off worthless accounts of P60,000. On December 1, 2020, a

customer settled an account by issuing a 12% six-month note for P800,000. What is the net realizable value of accounts receivable on December 31, 2020?

- a. 3,260,000
- b. 3,280,000
- c. 3,340,000
- d. 3,560,000

34. On December 31, 2019, what amount should be reported as note receivable?

- a. 450,000
- b. 460,000
- c. 625,000
- d. 671,000

35. On December 28, 2019, Paolo Company purchased goods costing P500,000. The terms were F.O.B destination. Some of the costs incurred in connection with the sale and delivery of the goods were packaging for shipment P10,000, shipping P15,000, and special handling charge P25,000. These goods were received on December 31, 2019. On December 31, 2019, what total cost our these goods should be included inventory?

- a. 500,000
- b. 520,000
- c. 553,000
- d. 545,000

36. On December 15, 2019 Flanagan Company purchased goods costing P100,000. The term were FOB shipping point. Cost incurred by the entity in connection with the purchase and delivery of the goods were as follows:

Normal freight charge	3,000
Handling cost	2,000
Insurance on shipment	500
Abnormal freight charge for expense shipping	1,200

The goods were received on December 31, 2019. What is the amount that should be charged to inventory and expense respectively?

- a. 3,000 and 3,700
- b. 5,000 and 1,700
- c. 5,500 and 1,700
- d. 6,700 and 0

37. Opal Company reported the following items that were included in inventory at year-end:

Merchandise out on consignment, at sales price,	
Including 40% markup on selling price	40,000
Goods purchased i transit shipped FBO shipping point	36,000
Goods held on consignment by Opal Company	27,000

By what amount should the inventory be reduced?

- a. 43,000

- b. 51,000
- c. 67,000
- d. 103,000

38. Herc Company reported inventory on December 31, 2019 at P1,500,000 based on a physical count period at cost and before any necessary adjustment for the following:

- Merchandise costing P90,000, shipped FBO shipping from a vendor on December 30, 2019 was received and recorded on January 5, 2020.
- Goods in the shipping area were excluded from inventory although shipment was not made until January 4, 2020. The goods billed to the customer FBO shipping point on December 30, 2019 had a cost of P120,000

What amount should be reported as inventory on December 31, 2019?

- a. 1,500,000
- b. 1,590,000
- c. 1,620,000
- d. 1,710,000

39. A physical count on December 31, 2019 revealed that Tones Company had inventory with a cost P4,400,000. The following items were excluded from this amount:

- Merchandise of P600,000 is held on consignment by Tones
- Goods costing P400,000 was shipped by Tones "Ex-ship" to a customer on December 31, 2019. The customer received the goods on January 3, 2020.
- Merchandise costing P500,000 was shipped by Tones "Free alongside" to a customer on December 29, 2019. The customer received the goods on January 6, 2020
- Goods costing P800,000 shipped by a vendor FBO destination on December 31, 2019 was received by tones on January 10 2020
- Goods costing P700,000 was shipped by a supplier "CFI" on December 30, 2019 and received by Tones on January 10, 2020

What is the correct amount of inventory on December 31, 2019?

- a. 4,900,000
- b. 5,400,000
- c. 5,500,000
- d. 6,000,000

40. During the current year, Isabel Company paid P100,000 cash traded inventory which had a carrying amount of P2,000,000 and a fair value of P2,100,000 for other inventory in the sale line of business with a fair value of P2,200,000. What amount should be recorded as cost of the inventory received in exchange?

- a. 2,000,000
- b. 2,100,000
- c. 2,200,000
- d. 2,300,000

41. During the current year, Bred Company exchange inventory with Oreo Company. The configuration of cash flows before and after the exchange does not significantly differ. Bred's inventory had fair value of P2,800,000 and Bred appropriately recorded the inventory received in exchange at P2,600,000. Oreo inventory had a fair value of P2,500,000 and Oreo appropriately recorded the inventory received in exchange at P2,300,000. Oreo paid P300,000 to Bred to make up for the difference in fair value. What was the carrying amount of Bred's inventory?

- a. 2,000,000
- b. 2,300,000
- c. 2,600,000
- d. 2,900,000

42. Gecelle Company reported during the current year beginning inventory P500,000, net purchased P2,500,000 and net sales P3,200,000, a physical inventory at year-end result in an inventory of P575,000 the gross profit on sales has remained constant at 25%. The entity suspected that some inventory may have been taken by a new employee. What is the estimated cost of missing inventory at year-end?

- a. 25,000
- b. 100,000
- c. 175,000
- d. 225,000

43. Danika Company provided the following information for the current year:

Inventory, January 1	1,300,000
Purchases	4,600,000
Purchase returns	100,000
Freight-in	200,000
Sales	6,800,000
Sales discounts	100,000
Sales returns	300,000

At year-end, physical inventory revealed that the ending inventory was only P850,000. The gross profit on sales was 30%. The entity suspected that some inventory may have been pilfered.

What is the estimated cost of missing inventory at year-end?

- a. 600,000
- b. 670,000
- c. 1,450,000
- d. 1,520,000

44. Mars Company is engaged in dairy livestock and provided the following for current year:

Carrying amount of biological assets on January 1	5,000,000
Increase due to purchase	2,000,000

Gain attribute to price change of biological asset	1,000,000
Gain attribute to physical change of biological asset	600,000
Milk produced during the year but unsold at year-end	100,000

What is the carrying amount of biological asset at year-end?

- a. 8,000,000
- b. 8,600,000
- c. 8,100,000
- d. 8,700,000

45. On January 1, 201, Rainier Company purchased 12% bonds with face value of P5,000,000 for P5,380,000. The bonds provide an effective yield of 10%. The bonds are dated January 1, 2019, matured on January 1 2024 and pay interest annually on December 31 of each year. The bonds are quoted at 120 on the December 31, 2019. The entity selected the fair value option for the bond investment. What total income should be reported for 2019?

- a. 600,000
- b. 1,120,000
- c. 1,138,000
- d. 1,220,000

46. On September 1, Start Company received P500,000 cash dividend from Sun Company in which Star Company owned a 30% interest. On October 1, star Company received P100,000 liquidating dividend from Moon Company. Star Company owned a 5% interest in Moon Company. Star Company owned a 10% interest in Sky Company which declared a P2,000,000 cash dividend on December 31. What amount of dividend revenue should be reported for the current year?

- a. 200,000
- b. 600,000
- c. 700,000
- d. 800,000

47. Sage Company bought 40% of an invested on January 1, 2019 for P400,000. The carrying amount of the investee's net assets at the purchase date totaled P900,000. Fair value and carrying amounts were the same for all items except for plant and inventory, for which fair values exceed their carrying amounts by P90,000 and P10,000 respectively. The plant has an eighteen-year life. All inventory was sold during 2019 the investee reported net income of P120,000 and paid a P20,000 cash dividend. What amount should be reported as income from the investment in associate for 2019?

- a. 32,000
- b. 36,000
- c. 42,000
- d. 48,000

48. On July 1, 2019, Diamond Company paid P1,000,000 for 100,000 outstanding shares (40%) of Ashley Company at that date, the net assets of Ashley totaled P2,500,000 and the fair values of all of Ashley identifiable assets and liabilities were equal to their carrying amount. Ashley reported net income of P500,000 for 2019, of which P300,000 was for the six months ended December 31, 2019 Ashley paid cash dividends of P250,000 on September 30, 2019. Diamond does not elect the fair value option for reporting the investment in Ashley. What amount of income should Diamond report from the investment in Ashley?
- a. 80,000
 - b. 100,000
 - c. 120,000
 - d. 200,000

49. Moss Company owns 20% of Dubro Company's preference and 80% of the ordinary shares. Dubro's share capital outstanding on December 31, 2019 is as follows:
- | | |
|---|---------|
| 10% cumulative preference share capital | 100,000 |
| Ordinary share capital | 700,000 |
- Dubro reported net income of P60,000 for 2019. Moss does not elect the fair value option to reported as equity in earnings of Dubro for 2019?
- a. 42,000
 - b. 48,000
 - c. 48,400
 - d. 50,000

50. Rock Company purchase 30% of Dale Company's ordinary shares on January 1, 2019. The purchase resulted in no goodwill or excess fair value
- Dale sold goods costing P500,000 for P750,000 to Rock in 2019. On December 31, 201, the goods remained unsold by Rock. In 2020, Rock sold such goods to the regular customers.
 - On January 1, 2019, Dale also sold machinery with carrying amount of P3,000,000 to Rock for P4, 200,000. The machinery's remaining life was 6 years
 - Dale reported net income of P 3,500,000 and P2,500,000 in the 2019 and 2020, respectively.
- What amount of equity in earnings of Dale should Rock report for 2020?
- a. 657,000
 - b. 750,000
 - c. 825,000
 - d. 885,000

51. On January 1, 2019, Gerald Company purchased 10% of Dana company's outstanding ordinary shares for P4,000,000. Gerald is the largest single shareholder in Dana and Gerald's officer are majority of Dana's board of directors. The investee reported net income of P5,000,000 for 2019 and paid dividends of P1,500,000. On December 31, 2019, what amount should be reported as investment in Dana Company?
- a. 3,850,000

- b. 4,000,000
- c. 4,350,000
- d. 4,500,000

52. On January 1, 2019, Kean Company purchased a 30% interest for P250,000. On this date, the investee's shareholder's equity was P500,000. The carrying amounts of the investee's identifiable net assets approximated fair value, except for land whose fair value exceeded carrying amount by P200,000. The investee reported net income of P100,000 for 2019 and paid in dividends. On December 31, 2019, what amount should be reported as investment in associate?

- a. 210,000
- b. 220,000
- c. 270,000
- d. 280,000

53. On January 1, 2019, Remy Company acquired 200,000 ordinary shares of Global Company for P9,000,000. At the time of purchase, Global Company had outstanding 800,000 shares with a carrying amount of P36,000,000. Global company reported net income of P1,800,000 for 2019, Remy Company received from Global Company a dividend of P150,000 during the year. The market value of Global Company share had temporarily declined to P40. Remy Company elected to measure the investment at fair value through other comprehensive income. What is the carrying amount of the investment on December 31, 2019?

- a. 8,000,000
- b. 9,000,000
- c. 9,300,000
- d. 9,450,000

54. On January 1, 2019, Buff Company purchase 25,000 shares or 10% interest of Clean Company for P2,000,000. Buff used the cost method to account for this investment. Clean reported net income of P4,000,000 and paid no additional shares of Clean Company. The fair value of the existing 10% interest was P1,700,000 on January 1, 2020. The fair values of the identifiable net assets of Clean Company equal the carrying amount of P20,000,000 on such date except for land whose fair value is greater than carrying amount by P4,000,000. The investee reported net income of P6,000,000 for 2020 and paid dividends of P10 shares. What is the carrying amount of the investment in associate on December 31, 2020?

- a. 6,700,000
- b. 7,750,000
- c. 8,250,000
- d. 8,550,000

55. On January 1, 2019, Jenica Company acquired 10% of the outstanding ordinary shares of an investee for P4,000,000. On January 1, 2020, the entity acquired an additional 20% of the investee's outstanding ordinary shares for P10,000,000. The fair value of the investee's net

assets equaled carrying amount on January 1, 2020. The fair value of the 10% interest on January 1, 2020 was P6,000,000. The investee reported the following

	2019	2020
Dividend paid	2,000,000	3,000,000
Net income	6,000,000	7,000,000

What is the carrying amount of the investment in associate on December 31, 2020?

- a. 15,200,000
- b. 16,000,000
- c. 17,200,000
- d. 17,600,000

56. During the year, King Company made the following expenditures relating to plant building:

Continuing and frequent repairs	40,000
Repainted the plant building	10,000
Major improvements to the electrical wiring system	32,000
Partial replacement of roof tiles	14,000

How much should be charge to repair and maintenance expense?

- a. 54,000
- b. 64,000
- c. 82,000
- d. 96,000

57. On January 1, 2019, Harbor Company purchased land and building as a single cost of P20,000,000. On this date, it was determined that the land and building had a fair value of P18,000,000 and P7,000,000 respectively. The entity also incurred legal fees for purchase contract and recording ownership P200,000 and title guarantee insurance P100,000. The entity immediately demolished the building to make way for construction of new building to be used as owner-occupied. The total contract price and other directly attributable cost to the building amounted to P15,000,000. The entity incurred demolition cost of P350,000. Under the PIC Interpretation, what is the initial cost of the land?

- a. 14,700,000
- b. 15,050,000
- c. 15,350,000
- d. 20,300,000

58. On December 1, 2019, Boyd Company purchased a P400,000 tract of land as an investment property. The entity razed an old building on the property and sold the materials it's salvaged from the demolition. The entity incurred additional cost and realized salvage proceeds as follows:

Demolition of old building	50,000
Legal fees for purchase contract and recording ownership	10,000
Title guarantee insurance	12,000

Proceeds from sale of salvaged materials 8,000

On December 31, 2019, what is the carrying amount of the land?

- a. 422,000
- b. 242,000
- c. 460,000
- d. 464,000

59. Isabel Company purchased for P4,500,000 a tract of land as factory site. An existing building on the property was razed and construction was begun on a new factory building . the entity incurred the following costs:

Cost of razing old building, net of proceeds from salvaged materials	300,000
Title insurance and legal fees to purchase land	200,000
Architect fee	950,000
New building construction cost	8,000,000

What is the cost of building in accordance with PCI Interpretation?

- a. 8,950,000
- b. 9,150,000
- c. 9,250,000
- d. 9,450,000

60. During the current ear, Kim Company had the following transaction pertaining to new office building:

Purchase price of land and an old unstable building	3,000,000
Legal fee for contract to purchase land	100,000
Architect fee	400,000
Demolition of old building to make room for new building construction	250,000
Sale of scrap from old building	50,000
Construction cost of new building fully completed	15,000,000

What amount should be reported as initial cost of the new building?

- a. 15,500,000
- b. 15,600,000
- c. 15,700,000
- d. 15,750,000

61. Punk Company acquired land and an existing building in exchange for 60,000 ordinary shares. The real property tax billed showed as assessed value of P3,000,000 for the land and P2,000,000 for the building. The shares have a par value of P100 and a fair of P150 per share. Punk also incurred the following costs:

Payment to tenants to vacate the building	100,000
Unpaid property taxes on land and building assumed by Punk	375,000
Assessment by city for sewerage project	10,000
Driveways and parking bays	550,000
Cost grading and leveling	50,000
Cost new wing attached to the building	750,000
Cost of new split type air-conditioning units	300,000
Remodeling cost prior to occupancy	200,000

What is the total cost of the building?

- a. 4,560,000
- b. 4,800,000
- c. 5,025,000
- d. 5,100,000

62. Amble Company exchange a truck with a carrying amount of P12,0000 and a fair value of P20,000 cash. The cash flow from the new truck are not expected to be significantly different from the cash flows the old truck. The fair value of the truck received was P17,500 at what amount should Amble record the truck received in the exchange?

- A. 7,000
- B. 9,500
- C. 10,500
- D. 17,500

63. On January 1, 2019, Karlo Company constructed a building costing P4,215,000. The weight-average accumulated expenditures on the building during 2019 was P3,900,000. The entity borrowed P2,000,000 at 7.5% on January 1 2019. Funds not needed for construction were temporarily invested in short-term securities an earned P59,000 in interest revenue. In addition to the construction loan, the entity has two other notes outstanding during the year: a P1,500,000, 10-year , 10% note payable dated October 1, 2017 and a 5-year P1,000,000, 8% note payable dated November 2, 2018. Construction was complete on December 31 2019 and the building is to leased out under an operating lease. What is the initial cost the building on December 31, 2019?

- a. 4,165,000
- b. 4,215,000
- c. 4,480,000
- d. 4,539,000

64. Rouse Company installed a production assembly line to manufacture tennis balls. In the current year, the entity acquired a machine and rearranged the assembly line to install the machine. The rearrangement resulted in efficiency in production. The following expenditures were incurred:

Purchase price of the machine (VAT inclusive 12%)	1,008,000
Labor cost to install machine	250,000
Parts added in rearranging the assembly line	400,000
Cost of testing the machine	150,000
Proceeds from sale of sample produced from testing	50,000
Cost of training worker who will operate the machine	100,000

What is the initial cost of the machine?

- a. 1,250,000
- b. 1,300,000
- c. 1,350,000
- d. 1,650,000

65. During 2019, Leah Company constructed asset costing P5,000,000. The weighted average expenditures totaled P3,000,000. To help for construction, an amount of P2,200,000 was borrowed at 10% on January 1 2019, and funds not needed for construction were temporarily invested in short-term securities yield P50,000 in interest revenue. Other than the construction funds

borrowed, the only other debt outstanding during the year was P2,500,000 10-year, 12% note payable dated January 1 2016. What amount of interest should be capitalize during 2019?

- a. 266,000
- b. 300,000
- c. 470,000
- d. 500,000

66. In January 2019, Mark Company purchase a mineral mine for P36,000,000 with removable ore estimated by geological survey at 4,000,000 tons. The property has an estimated value of 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. The entity is required to restore the property to the original condition at an estimated restoration cost is P1,800,000. During 2019, 400,000 tons were removed and 300,000 tons were sold. For the year ended December 31, 2019, what amount of depletion should be included in cost of goods sold?

- a. 3,375,000
- b. 3,472,000
- c. 4,500,000
- d. 4,570,000

67. Greene Company bought a patent from White Company on January 1, 2019 for P102,000. An independent research consulting estimated that the remaining useful life of the patent was four years. The remaining legal life was six years. The unamortized cost of the patent on January 1 2019 P300,000. What is the amortization of patent for 2019?

- a. 5,000
- b. 7,500
- c. 17,000
- d. 25,500

68. On December 1, 2019, Popular Company purchase for cash at P18 per share all 200,000 shares of Spruce Company. On December 1, 2019, Spruce showed a carrying amount of net assets of P3,200,000. The carrying amounts are equal to fair values of all the identified assets except property, plant and equipment. The fair value of property, plant and equipment exceeded carrying amount by P150,000. What amount should be reported as goodwill?

- a. 0
- b. 250,000
- c. 400,000
- d. 550,000

69. On January 1, 2019, Paye Company purchased another entity at cost that resulted in recognition of goodwill of P200,000. During the first quarter the entity spent an additional P80,000 on expenditures designed to maintain goodwill. On December 31 2019, what amount should be reported as goodwill?

- a. 180,000
- b. 200,000
- c. 252,000
- d. 280,000