



ADVANCED FINANCIAL ACCOUNTING & REPORTING

INSTRUCTIONS: Select the correct answer for each of the following questions. Mark only one answer for each item by shading the box corresponding to the letter of your choice on the answer sheet provided. **STRICTLY NO ERASURES ALLOWED.** Use pencil no. 2 only.

Set A

- Tillman Textile Company has a single branch in Bulacan. On March 1, 2019, the home office accounting records included an Allowance for Overvaluation of Inventories - Bulacan Branch ledger account with a credit balance of P32,000. During March, merchandise costing P36,000 was shipped to the Bulacan Branch and billed at a price representing a 40% markup on the billed price. On March 31, 2019, the branch prepared an income statement indicating a net loss of P11,500 for March and ending inventories at billed prices of P25,000. What is the amount of adjustment for Allowance for Overvaluation of Inventories to reflect the true branch net income?
 - P39,257 debit
 - P46,000 credit
 - P39,333 debit
 - P46,000 debit
- The PQR Partnership is being dissolved. All liabilities have been paid and the remaining assets are being realized gradually. The equity of the partnership is as follows:

	Partner's Accounts	Loans to (from) Partnerships	Profit and Loss Ratio
P	P24,000	P 6,000	3
Q	36,000	-	3
R	60,000	(10,000)	4

The second cash payment to any Partner (s) under a program of priorities shall be made thus:

- To R P2,000
- To Q P6,000
- To R P8,000
- To Q P6,000 & R P8,000

Use the following information for 3 and 4:

Partners Dennis and Lilly have decided to liquidate their business. The following information is available:

Cash	P 100,000	Accounts Payable ..	P 100,000
Inventory	200,000	Dennis, Capital	120,000
		Lilly, Capital	<u>80,000</u>
Total	<u>P 300,000</u>	Total	<u>P300,000</u>

Dennis and Lilly share profits and losses in a 3:2 ratio. During the first month of liquidation, half the inventory is sold for P60,000, and P60,000 of the accounts payable is paid. During the second month, the rest of the inventory is sold for P45,000, and the remaining accounts payable are paid. Cash is distributed at the end of each month, and the liquidation is completed at the end of the second month.

- Using a safe payments schedule, how much cash will be distributed to Dennis at the end of the first month?
 - P 64,000
 - P 60,000
 - P 24,000
 - P 36,000
- Assume instead that the remaining inventory was sold for P10,000 in the second month. What payments will be made to Dennis and Lilly at the end of the second month?

Dennis	Lilly	Dennis	Lilly
A. P 0	P 0	C. P 5,000	P 5,000
B. P 10,000	P 0	D. P 6,000	P 4,000

Items 5 and 6 are based on the following information:

On May 15, 2019, Atlas Sales Company received a shipment of merchandise with a selling price of P15,000 from Philco Company. The consignment agreement provided for a sale of merchandise with a credit with terms of 2/10 n/30. The commission of 15% was to be based on the accounts receivable collected by the consignee. Cash discounts taken by customers, expenses applicable to goods on consignment and any cash advanced to the consignor were deductible from the remittance by the consignee.

ADVANCED FINANCIAL ACCOUNTING & REPORTING

Atlas Sales Company advanced P6,000 to Philco Company upon receipt of the shipment. Expenses of P800 was paid by Atlas. By June, 2019, 70% of the shipment had been sold, and 80% of the resulting accounts receivable had been collected, all within the discount period. Remittance of the amount due was made on June 30, 2019.

The consigned goods cost Philco Company P10,000 and freight charges of P120 had been paid to ship it to Atlas Sales Company.

5. The cash remitted by Atlas Sales Company
 - A. P172
 - B. P340
 - C. P2,230
 - D. P2,340
6. The cost of inventory on consignment amounted to:
 - A. P1,500
 - B. P3,000
 - C. P3,036
 - D. P3,186
7. Under cash priority program, when all of the priorities are paid, any remaining cash distribution is
 - A. allocated to the partners based on their respective profit or loss ratios.
 - B. allocated to the partners based on the balances in their capital accounts after allocation of losses.
 - C. allocated to the partners based on their pre-computed priorities.
 - D. allocated to the partners based on the relative values of their capital balances.
8. Which of the following is false in relation to consignment sales of a manufacturer of a household goods to a retailer.
 - A. The manufacturer retains title to the products until they are scanned at the register.
 - B. The retailer does not have an obligation to pay the manufacturer until a sale occurs and any unsold products may be returned to the manufacturer.
 - C. The manufacturer retains the right to call back or transfer unsold products to another retailer until the sale to the consumer.
 - D. Once the retailer sells the products to the consumer, the manufacturer still has obligations for the products, and the retailer still has return rights.
9. Eagle Company recently petitioned for bankruptcy and is now in the process of preparing a statement of affairs. The following information has been assembled for this statement:

<u>Assets</u>	<u>Book Value</u>	<u>Estimated Current Value</u>
Cash	P 70,000	P 70,000
Other current assets	240,000	230,000
Building	600,000	700,000
Land	200,000	300,000
Liabilities		
Liabilities with priority		P 140,000
Mortgage payable (secured by building)		300,000
Note Payable (secured by land)		400,000
Unsecured liabilities		600,000

What amount will be paid to the fully secured creditors and the creditors with priority?

	<u>Fully Secured Creditors</u>	<u>Creditors with Priority</u>
A.	P300,000	P140,000
B.	P300,000	P 92,000
C.	P600,000	P 92,000
D.	P700,000	P140,000

10. Anselmo Company operates retail hobby shops from the main store and a branch store. Merchandise is shipped from the main store and to the branch and billed to the branch at an arbitrary 10% markup. Trial balances of the main store and branch as of December 31, 2018 are as follows:

	<u>Main Store</u>	<u>Branch</u>
Debits:		
Cash	P 1,500	P 1,000
Accounts receivable – net	200	-
Inventory, December 31, 2017	3,500	2,500
Building – net	60,000	18,000

ADVANCED FINANCIAL ACCOUNTING & REPORTING

Equipment – net	30,000	12,000
Branch store	32,300	-
Purchases	240,000	11,000
Shipments from home office	-	99,000
Other expenses	15,000	7,000
Total debits	<u>P 382,500</u>	<u>P 150,500</u>

Credits:		
Accounts payable	P 15,000	P 500
Unrealized inventory profit	9,200	-
Main Store	-	30,000
Capital stock	50,000	-
Retained earnings	16,000	-
Sales	200,000	120,000
Shipments to branch	90,000	-
Profit from branch	<u>2,300</u>	<u> </u>
Total credits	<u>P 382,500</u>	<u>P 150,500</u>

Inventories on hand at December 31, 2018 at the main store and branch are P3,000 and P1,800, respectively. The December 31, 2017 branch inventory includes merchandise purchased from outsiders of P300, and the December 31, 2018 branch inventory includes P150 of merchandise purchased from outsiders. The combined cost of goods sold amounted to:

- A. P261,200
- B. P252,200
- C. P243,150
- D. P252,150

11. The MSB Partnership has the following amounts:

- Sales, P84,000
- Cost of goods sold, P48,000
- Operating expenses, P12,000
- Salary allocations to partners, P15,600
- Interest paid to banks, P2,400
- Partners' withdrawals, P9,600

Compute the partnership net income (loss):

- A. P24,000
- B. 21,600
- C. P 6,000
- D. (3,600)

Items 12 and 13 are based on the following information:

Daniela Co. (DC), a soft drink company, enters in to a licensing arrangement with Camila Worldwide Inc. (CWI), an apparel company. The licensing arrangement permits CWI to use the DC trademarked logo and tagline on a new line of CWI's T-shirts, hats, shorts and other apparel for a three-year period. As consideration, CWI pays DC a one-off fee of P55 million at the beginning of the license term and an 11% sales-based royalty, calculated from the total quarterly sales of apparel items that include the DC logo. The rights and terms granted by DC to CWI under the agreement are similar to those granted by DC in licensing arrangements with other apparel companies. CWI will provide updated sales data on a quarterly basis. DC has determined the license is a distinct performance obligation. DC will undertake activities that will affect the intellectual property (IP) to which CWI has rights. The rights granted by the license directly expose CWI to positive or negative effects of changes in the activities on the IP. DC activities do not transfer a separate good or service to CWI as those activities occur, even if CWI may benefit from the activities.

12. Applying PFRS 15, the upfront payment of P55M will be recognized as revenue

- A. Point in time
- B. Over time
- C. Over the 3 year period
- D. B and C

13. Applying PFRS 15, the sales-based royalties (variable consideration)

- A. are excluded from the transaction price until the underlying sales occur, at which point, revenue from the sales-based royalties are recognized.
- B. are assessed if highly probable to occur
- C. are included from the transaction price until the underlying sales occur, at which point, revenue from the sales-based royalties are recognized.
- D. B and C

ADVANCED FINANCIAL ACCOUNTING & REPORTING

14. As suggested by Article 1787 of the Philippine Civil Code and relevant PFRSs, the net contributions (assets and related liabilities assumed by the partnership) of the partners to the partnership are measured at
- A. fair value
 B. cost
 C. discretionary amount determined by partners
 D. any of these
15. The interest of the withdrawing, retiring, or deceased partner shall be adjusted for which of the following?
- I. his share of any profit or loss up to the date of his withdrawal, retirement or death, if he withdraws, retires or dies during the year
 II. his share of any revaluation gains or losses as at the date of his withdrawal, retirement, or death
- A. I only
 B. II only
 C. I or II
 D. I and II
16. Virtuoso has a sales agency in Cebu. Agency revenues and expenses are recorded in separate agency accounts, with the operating results of both the agency and the home office generated at each month-end. For the month of October 20x4, the home office paid P10,000 for advertising costs on behalf of the agency and recorded this as follows:
- | | | |
|--|--------|--------|
| A. Cash agency | 10,000 | |
| Cash | | 10,000 |
| B. Advertising expense | 10,000 | |
| Cash | | 10,000 |
| C. Accounts receivable – Cebu Agency | 10,000 | |
| Cash | | 10,000 |
| D. Advertising expense – Cebu Agency | 10,000 | |
| Cash | | 10,000 |

Items 17 and 18 are based on the following information:

Account balances for the Ral, Tom, and Vic partnership on October 1, 2008 are as follows:

Cash	P 21,000	Accounts payable	P 80,000
Accounts receivable	63,000	Notes payable	50,000
Inventory	120,000	Ral, capital (30%)	43,600
Equipment	150,000	Tom, capital (50%)	150,000
Ral loan	15,000	Vic, capital (20%)	45,400

The partners have decided to liquidate the business. Activities for October and November are as follows:

October

- Ral is short of funds and the partners agree to charge her loan to her capital account.
- P40,000 is collected on the accounts receivable; P4,000 is written off as uncollectible.
- Half the inventory is sold for P50,000.
- Equipment with a book value of P55,000 is sold for P60,000.
- The P50,000 bank note plus P600 accrued interest is paid in full.
- The accounts payable are paid.
- Liquidation expenses of P2,000 are paid.
- Except for a P5,000 contingency fund, all available cash is distributed to partners at the end of October.

November

- The remaining equipment is sold for P38,000.
- Vic accepts inventory with a book value of P20,000 and a fair value of P10,000 as payment for part of her capital balance. The rest of the inventory is written off.
- Accounts receivable of P10,000 are collected. The remaining receivables are written off.
- Liquidation expenses of P800 are paid.
- Remaining cash, including the contingency fund, is distributed to the partners.

17. How much would Tom receive for the month of October?

- A. P16,700
 B. P33,400
 C. P34,286
 D. P35,400

18. How much cash would Vic receive for the month of November?

- A. P 6,886
 B. P 9,720
 C. P10,400
 D. P35,400

Items 19 through 21 are based on the following information:

Selected balances from the Cebu Company's Branch A and B are as follows:

	<u>Branch A</u>	<u>Branch B</u>
Inventory, Jan. 1, 2018	P 21,000	P 19,000

ADVANCED FINANCIAL ACCOUNTING & REPORTING

Imprest Branch Fund	2,000	1,500
Inventory, Dec. 31, 2018	19,000	12,000
A/Receivable, Jan. 1, 2018	55,000	43,500
Merchandise from Home Office...	61,000	47,000
A/Receivable, Dec. 31, 2018	70,000	53,500
Sales	100,000	80,000
Cash Expenses...	21,000	14,300

All sales, collections, and expenses are handled at the branch. All cash received from sales and collections are sent directly to the Home Office. Expenses are paid by the branch from the imprest fund and immediately reimbursed by the Home Office and credited to the Home Office account. All expenses paid by the branch are recorded in the books of the branch.

19. Compute the balance of the Home Office account in the books of Branch on January 1, 2018:

- | | | | | | |
|----|----------|----------|----|----------|----------|
| | <u>A</u> | <u>B</u> | | <u>A</u> | <u>B</u> |
| A. | P163,000 | P67,000 | C. | P139,000 | P111,000 |
| B. | P 64,000 | P78,000 | D. | P 78,000 | P 64,000 |

20. Compute the balance of the Home Office account on December 31, 2018.

- | | | | | | |
|----|----------|----------|----|----------|----------|
| | <u>A</u> | <u>B</u> | | <u>A</u> | <u>B</u> |
| A. | P110,000 | P152,000 | C. | P64,000 | P78,000 |
| B. | P 91,000 | P 67,000 | D. | P78,000 | P64,000 |

21. The entry in Branch B's records in order to update the reciprocal Home Office Account on December 31, 2018 assuming net income of the branch is being reported to the home office:

- A. Dr. – Home Office Current / Cr. – Profit and Loss
- B. Dr. – Profit and Loss / Cr. - Branch Current
- C. Dr. – Branch Current / Cr. – Profit and Loss
- D. Dr. - Profit and Loss / Cr. – Home Office

22. An entity shall determine whether a transaction or other event is a business combination by applying the definition in PFRS 3, Business Combinations, which requires that the assets acquired and liabilities assumed constitute a/an _____. If the assets acquired are not a/an _____, the reporting entity shall account for the transaction or other event as a/an _____.

- A. operating segment, operating segment, business combination
- B. operating segment, business, asset acquisition
- C. business, business, asset acquisition
- D. business, operating segment, asset acquisition

23. Marga Holding Inc., a sub-holding of the Mondragon Group, makes an offer for all the equity shares of Cassie Ltd. on July 1, 2018. The consideration for the offer is 50,000 shares in Marga together with P10,000,000 cash. The offer is accepted on August 1, 2018. However, the offer is conditional upon receiving the approval of the competition authority which is obtained on September 30, 2018. In the past, the competition authority has never rejected the application for any merger or combination. The shares are exchanged on August 10, 2018. What is the date of acquisition?

- A. July 1, 2018, the date of the offer
- B. August 1, 2018, the date the offer has been accepted
- C. August 10, 2018, the date the shares have been exchanged
- D. September 30, 2018, the date of the approval by the competition authority

24. Under PFRS 15, sales-based royalty is recognized

- A. as sales occurs
- B. when the performance obligation is satisfied
- C. at the later of: (1) the occurrence of sales or (2) when the performance obligation is satisfied
- D. as the services are provided or the rights used

Items 25 to 27 are based on the following information:

OO and PP are partners sharing profits in this proportion – 60:40. A balance sheet prepared for the partners on April 1, 20x4 shows the following:

Cash	P48,000	Accounts payable	P 89,000
Accounts Receivable	92,000	OO, capital	133,000
Inventories	165,000	PP, capital.....	108,000
Equipment	70,000		

ADVANCED FINANCIAL ACCOUNTING & REPORTING

Less: Accumulated		
Depreciation	45,000	25,000
Total Assets	P330,000	Total Liabilities & Capital
		P 330,000

On this date, the partners agree to admit RR as a partner. The terms of the agreement are summarized below.

Assets and liabilities are to be restated as follows:

- An allowance for possible uncollectible of P4,500 is to be established.
- Inventories are to be restated at their present replacement value of P170,000.
- Accrued expenses of P4,000 are to be Recognized.

OO, PP and RR will divide profits in the ratio of 5:3:2. Capital balances of the partners after the formation of the new partnership are to be in the aforementioned ratio, with OO and PP making cash settlement between them outside of the partnership to adjust their capitals, and RR investing cash in the partnership for his interest.

25. The cash to be invested by RR is:

- | | |
|------------|------------|
| A. P60,250 | C. P50,000 |
| B. P47,500 | D. P59,375 |

26. The total capital of the partnership after the admission of RR is:

- | | |
|-------------|-------------|
| A. P296,875 | C. P237,500 |
| B. P301,250 | D. P286,850 |

27. Cash settlement between OO and PP is:

- | | |
|------------------------------|--------------------------------|
| A. OO will pay PP P17,537.50 | C. OO will invest P17,537.50 |
| B. PP will pay OO P17,537.50 | D. PP will withdraw P17,537.50 |

28. PFRS 3 – Business Combinations does not apply to which of the following?

- I. Formation of a joint arrangement.
 - II. Combination of entities or businesses under common control.
 - III. Acquisition of an asset or a group of assets that constitute a business.
 - IV. Acquisition by an investment entity of an investment in a subsidiary with that subsidiary not providing services that relate to the investment entity's investment activities
 - V. Not-for-profit organizations.
- A. I, II and IV only B. I, II, IV and V only C. I, II, III and V only D. I, II, III, IV and V

Items 29 and 30 are based on the following information:

29. Hotel Dian Inc. charges an initial franchise fee of P90,000 broken down as follows:

Rights to trade name, market area, and proprietary know-how	P40,000
Training services	11,500
Equipment (cost of P10,800)	38,500
Total initial franchise fee	P90,000

Upon signing of the agreement, a payment of P40,000 is due. Thereafter, two annual payments of P30,000 are required. The credit rating of the franchisee is such that it would have to pay interest of 8% to borrow money. The franchise agreement is signed on August 1, 20x4, and the franchise commences operation on November 1, 20x4. Assuming that no future services are required by the franchisor once the franchise begins operations, the entry on November 1, 20x4 would include

- A. a credit to Unearned Franchise Revenue for P40,000.
- B. a debit to Service Revenue for P11,500.
- C. a debit to Sales Revenue for P38,500.
- D. a debit to Unearned Franchise Revenue for P40,000.

30. Assuming that the franchise agreement is signed on August 1, 20x5, and the franchise commences operation on November 1, 20x5. Assume that the total training fees includes training services for the period leading up to the franchise opening (P5,500 value) and for 3 months following opening. The journal entry on August 1, 20x5 would include

- A. a credit to Unearned Service Revenue for P11,500.
- B. a credit to Unearned Service Revenue for P6,000.
- C. a debit to Sales Revenue for P38,500.
- D. a debit to Unearned Franchise Revenue for P40,000.

ADVANCED FINANCIAL ACCOUNTING & REPORTING

Items 31 and 32 are based on the following information:

On August 5, 20x5, Famous Furniture shipped 20 dining sets on consignment to Furniture Outlet, Inc. The cost of each dining set was P350. The cost of shipping the dining sets amounted to P1,800 and was paid for by Famous Furniture. On December 30, 20x5, the consignee reported the sale of 15 dining sets at P850 each. The consignee remitted payment for the amount due after deducting a 6% commission, advertising expense of P300, and installation and setup costs of P390.

31. The amount cash received by Famous Furniture is
- | | |
|------------|------------|
| A. P12,750 | C. P11,685 |
| B. P11,985 | D. P11,295 |
32. The total profit on units sold for the consignor is
- | | |
|------------|-----------|
| A. P11,295 | C. P6,045 |
| B. P 9,945 | D. P4,695 |
33. If the partnership agreement does not specify how income is to be allocated, profits and loss should be allocated
- equally.
 - in accordance with their capital contribution.
 - in proportion to the weighted average of capital invested during the period.
 - equitably so that partners are compensated for the time and effort expended on behalf of the partnership.
34. It is common for a construction entity to receive numerous variation orders from the customer during the period of construction. These variation orders could arise due to changes in the design of the asset being constructed and in the type of materials to be used for construction. Which of the following is/are true about the requirements of PFRS 15 in relation to these changes?
- These change orders or contract modification may need to be accounted for as a new contract separate from the original contract if the modification adds distinct goods or services priced at their stand-alone selling prices.
 - These change orders or variations in contract work are included in the contract revenue when it is probable that the customer will approve the variation and the amount of revenue arising from the variation can be reliably measured.
- | | | | |
|-----------|------------|------------|-------------|
| A. I only | B. II only | C. I or II | D. I and II |
|-----------|------------|------------|-------------|
35. It is possible that the construction entity will be entitled to an incentive bonus (for example, if the quantity of the materials used in the project did not vary significantly from the budgeted quantity in the bidding documents, if the entity will complete the project ahead of the target completion). Which of the following is/are true about accounting for these variable considerations as provided under PFRS 15?
- If the consideration in the contract involves variable amount (incentives, claims, penalties, etc.), the entity should estimate the amount of consideration to which it expects to be entitled.
 - An entity needs to estimate any variable consideration using either the expected value method or the most likely amount method, and include it in the revenue to the extent that it is highly probable that the revenue will not reverse.
 - Incentive payments are included in contract revenue when: (a) the contract is sufficiently advanced that it is probable that the specified performance standards will be met or exceeded; and (b) the amount of the incentive payment can be measured reliably.
 - Claims are included in contract revenue only when: (a) negotiations have reached an advanced stage such that it is probable that the customer will accept the claim; and (b) the amount that it is probable will be accepted by the customer can be measured reliably.
- | | | | |
|----------------------|----------------------|------------------|------------|
| A. I, II, III and IV | B. I, II and IV only | C. I and II only | D. II only |
|----------------------|----------------------|------------------|------------|
36. Happy, Inc. opens a sales agency in Davao City, and a working fund for P20,000 is established on the imprest basis. The first payment from the fund is P3,000 for rent. This transaction should be recorded by the home office as follows:(9-F26)
- | | |
|----------------------|-------|
| A. No entry | |
| B. Rent..... | 3,000 |
| Cash..... | 3,000 |
| C. Davao Agency..... | 3,000 |
| Cash..... | 3,000 |
| D. Davao Agency..... | 3,000 |

ADVANCED FINANCIAL ACCOUNTING & REPORTING

Working Fund..... 3,000

37.It is possible that: (1) a contractor may lower the pricing for a particular contract (which the client was invited to bid) and recover foregone profits from other contracts with the same customer; or (2) a contractor be awarded with multiple contracts with the same customer wherein the ultimate goal of these contracts is to deliver a combined single output to the customer. PFRS 15 requires entities to combine contracts entered into at or near the same time with the same customer if they meet one or more of the following criteria, except:

- A. the contracts are negotiated as a package with a single commercial objective
- B. multiple contracts negotiated at the same time
- C. the amount of consideration to be paid in one contract depends on the price or performance of the other contract; or
- D. the goods or services promised in the contracts (or some goods or services promised in each of the contracts) are a single performance obligation

Items 38 through 40 are based on the following information:

On December 3, 2018, the Home Office of Kathy Office Supply Company recorded a shipment of merchandise to its Davao branch as follows: (5-7F26)

Davao Branch.....	39,000
Shipments to Branch.....	32,500
Unrealized Profit in Branch Inventory.....	5,200
Cash (for freight charges).....	1,300

The Davao branch sells 40% of the merchandise to outside entities during the rest of December 2018. The books of the home office and Kathy Office Supply are closed on December 31 of each year.

On January 5, 2019, the Davao branch transfers half of the original shipment to the Baguio branch, and the Davao branch pays P650 as the shipment.

38. What amount should the 60% of the merchandise remaining unsold be included in (1) the inventory of the Davao branch at December 31, 2018,

- A. P20,280
- B. P22,620
- C. P23,400
- D. P23,920

39. What amount should the 60% of the merchandise remaining unsold at December 31, 2018 be included in the published balance sheet of Kathy Office Supply at December 31, 2018 shows inventory at:

- A. P19,500
- B. P20,280
- C. P20,800
- D. P23,400

40. What is the entry on the home office books in respect to January 5, 2019 transfer, assuming that the transfer cost of the merchandise to Baguio branch would have been P780.

A. Home Office.....	20,150	
Cash.....		780
Inventory.....		19,500
B. Shipments.....	18,850	
Freight-in.....		780
Home Office Current.....		19,630
C. Branch Current – Baguio.....	19,630	
Excess Freight.....		520
Branch Current – Davao.....		20,150
D. Branch Current – Baguio.....	19,630	
Excess Freight.....		780
Branch Current – Davao.....		20,410

41. Which of the following statements is/are true in relation to reacquired intangible rights under PFRS 3?

- I. Reacquired intangible rights are recognized as an asset and determine its fair value on the basis of the remaining contractual term of the contract when market participants would consider potential contractual renewals when measuring its fair value.
- II. Reacquired rights are amortized over the remaining contractual period.

- A. I only
- B. II only
- C. I and II
- D. None of the choices

ADVANCED FINANCIAL ACCOUNTING & REPORTING

42. Based on PFRS 10, it pertains to an investee (e.g., CGU or an operating segment) within a legal structure which can also be considered as business under PFRS 3.

- A. relevant entity B. silo C. separate entity D. specified assets

43. Which of the following items are both exempted from the recognition and measurement principles of PFRS 3?

- I. Asset held for sale
- II. Employee benefits
- III. Income taxes
- IV. Indemnification assets
- V. Share-based payment

- A. I, II, III, IV and V B. I, II and III only C. II, III and IV only D. II, III and V only

Items 44 and 45 are based on the following information:

CC admits DD for partnership interest in his business. The balance sheet accounts of CC on November 30, 20x4 prior to the admission of DD are as follows:

	<u>Debits</u>	<u>Credits</u>
Cash	P ?	
Accounts receivable	96,000	
Merchandise inventory	144,000	
Accounts payable		P 49,600
CC, capital		?

It is agreed that for purposes of establishing CC's interest, the following adjustments should be made:

1. An allowance for doubtful accounts of 2% of accounts receivable is to be established.
2. The merchandise inventory is to be valued at P160,000.
3. Prepaid expenses of P5,200 and accrued expenses of P3,200 are to be recognized.

DD is to invest cash of P113,640 to give him a one-third (1/3) interest in the firm.

44. The balance of the capital of CC before the adjustments is:

- A. P227,280 C. P211,200
 B. P230,120 D. P250,500

45. The total assets of the partnership after the formation is:

- A. P393,720 C. P291,320
 B. P340,920 D. P309,520

46. On June 30, 20x4, the balance sheet for the partnership of Williams, Brown, and Lowe, together with their respective profit and loss ratios, is summarized as follows:

Assets, at cost P300,000	Williams loan. P 15,000
	Williams capital (20%) . . . 70,000
	Brown capital (20%) . . . 65,000
	Lowe capital (60%) 150,000

Williams has decided to retire from the partnership, and by mutual agreement the assets are to be adjusted to their fair value of P360,000 at June 30, 20x4. It is agreed that the partnership will pay Williams P102,000 cash for his partnership interest exclusive of his loan, which is to be repaid in full. Goodwill is to be recorded in this transaction, as implied (total) by the excess payment to Williams. After Williams's retirement, what are the capital account balances of Brown and Lowe, respectively?

- A. P65,000 and P150,000 C. P73,000 and P174,000
 B. P97,000 and P246,000 D. P77,000 and P186,000

47. (000's omitted) A construction contractor has a fixed price contract for P100,000 to construct a building (the project). The contractor's estimate of total contract costs is P60,000. It will take two years to construct the building.

At the end of the first year of the project (31 December 2019):

- the contractor has incurred costs of P20,000 on the contract, including P2,000 on cement that is held offsite
- an independent surveyor certified that 28 percent of the contract work is completed

ADVANCED FINANCIAL ACCOUNTING & REPORTING

- A. I only B. II only C. I or II D. I and II

61. The after-closing balances of Carler Corporation's home office and its branch at January 1, 2018 were as follows:

	Home Office	Branch
Cash.....	P 7,000	P 2,000
Accounts receivable-net.....	10,000	3,500
Inventory.....	15,000	5,500
Plant assets-net	45,000	0,000
Branch.....	<u>28,000</u>	<u>-</u>
Total assets.....	<u>P 105,000</u>	<u>P 31,000</u>
Accounts payable.....	P 4,500	P 2,500
Other liabilities.....	3,000	500
Unrealized profit-branch inventory.....	500	-
Home office.....	-	28,000
Capital stock.....	80,000	-
Retained earnings.....	<u>17,000</u>	<u>-</u>
Total equities.....	<u>P 105,000</u>	<u>P 31,000</u>

A summary of the operations of the home office and branch for 2008 follows:

- Home office sales: P100,000, including P33,000 to the branch. A standard 10% markup on cost applies to all sales to the branch. Branch sales to its customers totaled P50,000.
- Purchases from outside entities: home office, P50,000; branch P7,000.
- Collections from sales: home office P98,000 (including P30,000 from branch); branch collections, P51,000.
- Payments on account; home office, P51,500; branch P4,000.
- Operating expenses paid: home office, P20,000; branch, P6,000
- Depreciation on plant assets: home office, P4,000; branch P1,000.
- Home office operating expenses allocated to the branch, P2,000.
- At December 31, 2008, the home office inventory is P11,000 and the branch inventory is P6,000, of which P1,050 was acquired from outside suppliers.

The combined net income amounted to:

- A. P 0 C. P21,000
 B. P4,550 D. P25,550

Use the following information for 62 to 65:

Bullen Inc. acquired assets and liabilities of Vicker Inc. on January 1, 20x4. The book value and fair value of Vicker's accounts on that date (prior to creating the combination) follow, along with the book value of Bullen's accounts:

Item	Bullen - Book Value	Vicker Book Value	Vicker Fair Value
Retained Earnings 1/1/x4	P 160,000	P 240,000	
Cash and receivables	170,000	70,000	P 70,000
Inventory	230,000	170,000	210,000
Land	280,000	220,000	240,000
Buildings (net)	480,000	240,000	270,000
Equipment (net)	120,000	90,000	90,000
Liabilities	650,000	430,000	420,000
Common Stock	360,000	80,000	
Additional paid-in capital	20,000	40,000	

62. Assume that Bullen issued 12,000 shares of common stock with a P5 par value and a P47 fair value to obtain all of Vicker's outstanding stock. In this transaction how much goodwill should be recognized?

- A. P144,000 D. P60,000
 B. P104,000 E. P 0
 C. P 64,000

63. Assume that Bullen issued 12,000 shares of common stock with a P5 par value and a P42 fair value for all of the outstanding shares of Vicker. What will be the Additional Paid-In Capital and Retained Earnings after the combination?

- A. P20,000 and P160,000 D. P464,000 and P160,000
 B. P20,000 and P260,000 E. P380,000 and P260,000
 C. P380,000 and P160,000

ADVANCED FINANCIAL ACCOUNTING & REPORTING

Ta

1. D

	100%	60%	40%
	Billed Price	Cost	Allowance
Merchandise inventory, 1/1/05			32,000
Shipments	*60,000	36,000	*24,000
Cost of goods available for sale			56,000
Less: MI, 3/31/05 (25,000 x 40%)			10,000
Overvaluation of CGS/RPBSales			46,000

↑

*36,000 cost / 60% = 60,000 x 40% = 24,000. (Note: Markup is based on billed price)

2. D

	INTERESTS			PAYMENTS			Total
	P	Q	R	P	Q	R	
Balances before realization							
Loans.....	P 6,000		P(10,000)				
Capital.....	<u>24,000</u>	P 36,000	<u>60,000</u>				
Total interests.....	P 30,000	P 36,000	P 50,000				
Divided by: P&L ratio.....	<u>3/10</u>	<u>3/10</u>	<u>4/10</u>				
Loss absorption abilities...	P100,000	P120,000	P125,000				
Priority I.....	-	-	(5,000)				P2,000 P2,000
	P100,000	P120,000	P120,000				
Priority II.....	-	(20,000)	(20,000)		P6,000	8,000	14,000
	<u>P100,000</u>	<u>P100,000</u>	<u>P100,000</u>	<u>P -</u>	<u>P6,000</u>	<u>P10,000</u>	<u>P16,000</u>

3. D

	Dennis	Lily	Total
Capital before realization	120,000	80,000	200,000
Reduction in capital (3:2)	(84,000)	(56,000)	(140,000)
Payment to partners	<u>36,000</u>	<u>24,000</u>	<u>60,000*</u>
*Payment to partners:			
Cash, beginning.....			P100,000
Proceeds.....			60,000
Payment of liabilities – to be conservative – it should be in full.....			(100,000)
Payment to partners.....			<u>P 60,000</u>

4. D

	Dennis	Lily	Total
Capital before realization – refer to no. 32	84,000	56,000	140,000
Reduction in capital (3:2)	(78,000)	(52,000)	(130,000)
Payment to partners	<u>6,000</u>	<u>4,000</u>	<u>10,000*</u>

*since cash was fully distributed last month, only the proceeds of P10,000 for the second remains to be distributed.

5. A

Gross collection (P15,000 x 70% x 80%)		P 8,400
Less: Cash discount taken by customer (P8,400 x 2%)		168
Net collection		P 8,232
Less Charges:		
Expenses		P 800
Commission (P8,400 x 15%)		<u>1,260</u>
Due to Consignor		P 6,172
Less: Advances		<u>6,000</u>
Amount remitted		<u>P 172</u>

6. C

	Total Charges (100%)	Charges Related to	
		Consignment Sales (70%)	Inventory on Consignment (30%)
Consignor's charges:			
Cost	P10,000	P 7,000	P 3,000
Freight	120	84	36
Consignee's charges:			
Expenses	800	800	
Commission (15% x P10,500)	1,575	1,575	
Cash discount (P10,500 x 80% x 2%)	168	168	
Total	<u>P12,663</u>	<u>P 9,627</u>	<u>P 3,036</u>
Sales price (70% x P15,000)		<u>10,500</u>	
Profit on Consignment		<u>P 873</u>	

ADVANCED FINANCIAL ACCOUNTING & REPORTING

- 7. **A**
- 8. **D**
- 9. **A**

Net Free Assets:

$$(P700,000 - P300,000) + P70,000 + P230,000 = P700,000 - P140,000 = P560,000$$

Total Unsecured Creditors without priority:

$$(P400,000 - P300,000) + P600,000 = P700,000$$

- 10. **D**

Combined Cost of Goods Sold:

Merchandise Inventory, 12/1/2017:

Home Office, cost.....	P		3,500	
Branch: Outsiders,	P	300		
From Home Office (P2,500 – P300)/110%.....		2,000	2,300	P 5,800
Add Purchases (P240,000 + P11,000).....				251,000
COGAS.....				P 256,800
Less: Merchandise Inventory, 12/31/2018:				
Home Office, cost.....	P	3,000		
Branch: Outsiders.....	P	150		
From Home Office (P1,800 – P150)/110%.....		1,500	1,650	4,650
Cost of Goods Sold.....				P 252,150

- 11. **B**

Sales.....	P84,000
Less: Cost of good sold.....	48,000
Operating expenses.....	12,000
Interest (expense) paid to bank.....	2,400
Net Income.....	P21,600

Salary allocations to partner's is considered as a distribution (or allocation) of net income rather than as a determinant of net income. In other words, salaries to partners are not treated as an expense in computing net income.

Partner's withdrawal affects capital balance but not net income.

- 12. **D**
- 13. **A**
- 14. **A**
- 15. **D**
- 16. **D**

- 17. **B (Correction: Inventory – P120,500)**

	OCTOBER	RAL	TOM	VIC	TOTAL
<i>BALANCES BEFORE REALIZATION:</i>					
LOANS (TO) FROM		(15,000)			(15,000)
CAPITALS		43,600	150,000	45,400	239,000
TOTAL INTEREST FOR OCTOBER		28,600	150,000	45,400	224,000
REDUCTION IN INTEREST		(57,180)	(95,300)	(38,120)	(190,400)
BALANCES		(28,580)	54,700	7,280	*33,400
POSSIBLE LOSS DUE TO INSOLVENCY (5:2)		28,580	(20,414)	(8,166)	- 0-
BALANCES			34,286	(886)	33,400
POSSIBLE LOSS DUE TO INSOLVENCY			(886)	886	- 0-
BALANCES			33,400		33,400

*OCTOBER: PAYMENT TO PARTNERS, COMPUTED AS FOLLOWS:

CASH, BEGINNING.....	P 21,000
PROCEEDS (P40,000 + P50,000 + P60,000).....	150,000
PAYMENT OF BANK NOTE (P50,000 + P600).....	(50,600)
PAYMENT OF LIQUIDATION EXPENSES.....	(2,000)
PAYMENT OF ACCOUNTS PAYABLE.....	(80,000)
CASH WITHHELD.....	(5,000)
PAYMENT TO PARTNERS.....	P 33,400

- 18. **A**

NOVEMBER	RAL	TOM	VIC	TOTAL
TOTAL INTERESTS FOR OCTOBER	28,600	150,000	45,400	224,000
LESS: PAYMENTS		(33,400)		(33,400)
TOTAL INTEREST	28,600	116,600	45,400	190,600
REDUCTION IN INTEREST	(38,520)	(64,200)	(25,680)	(128,400)
BALANCES	(9,920)	52,400	9,720	*52,200
POSSIBLE LOSS DUE TO INSOLVENCY (5:2)	9,920	(7,086)	(2,834)	- 0-
BALANCES		45,314	6,886	52,200

ADVANCED FINANCIAL ACCOUNTING & REPORTING

*NOVEMBER: PAYMENT TO PARTNERS, COMPUTED AS FOLLOWS:

CASH, BEGINNING (WITHHELD OF LAST MONTH).....	P	5,000
PROCEEDS (P38,000 + P10,000).....		48,000
PAYMENT OF LIQUIDATION EXPENSES.....	(800)
PAYMENT TO PARTNERS.....	<u>P</u>	<u>52,200</u>

19. D

	Branch A	Branch B
Assets:		
Inventory, January 1	P 21,000	P 19,000
Imprest branch fund	2,000	1,500
Accounts receivable, January 1	55,000	43,500
Total Assets	P 78,000	P 64,000
Less: Liabilities	<u>-0-</u>	<u>-0-</u>
Home Office Current Account	<u>P 78,000</u>	<u>P 64,000</u>

20. B

	Branch A	Branch B
Assets:		
Inventory, December 31	P 19,000	P 12,000
Imprest branch fund	2,000	1,500
Accounts receivable, December 31	<u>70,000</u>	<u>53,500</u>
Total Assets	P 91,000	P 67,000
Less: Liabilities	<u>-0-</u>	<u>-0-</u>
Home Office Current Account	<u>P 91,000</u>	<u>P 67,000</u>

21. D - incidentally, the entry in the books of the branch would be as follows:

Profit and loss summary	xxx
Home Office Current.....	Xxx

22. C

23. C

24. C

25. D

Total capital of the new partnership (refer to No. 24)	P 296,875
Multiply by RR's interest	<u>20%</u>
Cash to be invested by RR	<u>P 59,375</u>

26. A

	OO (60%)	PP (40%)	Total
Unadjusted capital balances	P133,000	P108,000	P241,000
Adjustments:			
Allowance for bad debts	(2,700)	(1,800)	(4,500)
Inventories	3,000	2,000	5,000
Accrued expenses	<u>(2,400)</u>	<u>(1,600)</u>	<u>(4,000)</u>
Adjusted capital balances	<u>P130,900</u>	<u>P106,600</u>	<u>P237,500</u>
Total capital before the formation of the new partnership (see above)			P 237,500
Divide by the total percentage share of OO and PP (50% + 30%)			<u>80%</u>
Total capital of the partnership after the admission of RR			<u>P 296,875</u>

27. A

	Agreed Capital	Contributed Capital	Settlement
OO	P148,437.50 (50% x P296,875)	P 130,900	P 17,537.50
PP	89,062.50 (30% x P296,875)	106,600	(17,537.50)

Therefore, OO will pay PP P17,537.50

28. A

29. D - the amount of P40,000 is the nearest answer (refer to entry in No. 2)

November 1, 20x4: Date of Opening/Franchise Opens: - Rights to trade name....(to record revenue from delivery of franchise rights – point in time/right of use)

Unearned Franchise Revenue	41,555
Franchise revenue	41,555

Franchises often include a **license (right of use-point in time)**, as well as **goods and services transferred** at the start of the franchise as well as over the life (**right of access-over time**) of the franchise.

ADVANCED FINANCIAL ACCOUNTING & REPORTING

A **license** is said to transfer a **right of use** if the seller's activities during the license period are not expected to affect the intellectual property being licensed to the customer. In that case revenue is recognized at the start of the license period, that is, when the right is transferred.

30. **A** – nearest amount for unearned service revenue.

August 1, 20x5: Date of Signing:

Cash.....	40,000	
Notes receivable (P30,000 x 2).....	60,000	
Unearned Interest Income/Discount on Notes Receivable		6,502
Unearned franchise revenue.....		41,555
Unearned service revenue – training services.....		11,947
Unearned sales revenue – equipment.....		39,996

Cash/down-payment.....	P 40,000
PV of Installment payment for two (2) periods:	
P30,000 x 1.78326 (PV of an annuity of P1 for 2 periods)	<u>53,498</u>
Total.....	<u>P 93,498</u>

Amount allocated to:

Rights to trade name: P93,498 x (40,000/90,000).....	P 41,555
Training services: P93,498 x (11,500/90,000).....	11,947
Equipment: P93,498 x (38,500/90,000).....	<u>39,996</u>
Total.....	<u>P 93,498</u>

Recognition of Franchise Rights Revenue Over Time

Depending on the economic substance of the rights, the franchisor may be providing **access to the right** (over time) rather than transferring control of the franchise rights. In this case, **the franchise revenue is recognized over time**, rather than at a **point in time (August 1, 20x5)**, therefore, the **P11,500** is **unearned service revenue (note: not as a unearned franchise revenue in contrast to PAS 18)**

31. **D** - (15 x P850) – (P12,750 x .06) – P300 – P390 = P11,295, or

Sales (P850 x 15)		P 12,750
Less Charges:		
Commission (6% x P12,750)		765
Advertising		300
Delivery and installation		<u>390</u>
Remittance		<u>P 11,295</u>

32. **D**

	Total Charges (20)	Charges Related to	
		Consignment Sales (15)	Inventory on Consignment (5)
Consignor's charges:			
Cost, P350 per set	P 7,000	P 5,250	P 1,750
Freight, P1,800	1,800	1,350	450
Consignee's charges:			
Commission (6% x P12,750)	765	765	
Advertising	300	300	
Delivery and installation	<u>390</u>	<u>390</u>	
Total	<u>P10,255</u>	<u>P 8,065</u>	<u>P 2,200</u>
Sales price, P850 per set		<u>12,750</u>	
Profit on Consignment		<u>P 4,695</u>	

33. **B**

34. **A**

35. **C**

36. **A**

37. **B**

38. **C**

Inventory of the Branch:

Shipments from home office at billed price.....	P 37,700
x: Ending inventory %.....	<u>60%</u>
Ending inventory at billed price.....	P22,620
Add: Freight (P1,300 x 60%).....	<u>780</u>
	<u>P23,400</u>

Or, P39,000 x 60% = P23,400

ADVANCED FINANCIAL ACCOUNTING & REPORTING

39. B

Inventory in the published balance sheet, at cost	
Shipments at cost.....	P 32,500
x: Ending inventory %.....	60%
Ending inventory at billed price.....	P19,500
Add: Freight (P1,300 x 60%).....	780
	<u>P 20,280</u>

40. C

Home Office Books	Davao Branch	Baguio Branch
Davao Branch... 39,000	SFHO.....37,700	
STB, cost..... 32,500	Freight-in..... 1,300	
Unrealized profit 5,200	HOC..... 39,000	
Cash (freight).... 1,300		
BC – Baguio.....19,630	HOC.....20,150	SFHO..... 18,850
Excess freight... 520	SFHO (50%)... 18,850	Freight-in.. 780
BC-Davao..... 20,150	Freight-in (50%) 650	HOC..... 19,630
	Cash..... 650	

41. B

42. B

43. C

44. C

Total partnership capital (P113,640/1/3)	P 340,920
Less DD's capital	<u>113,640</u>
CC's capital after adjustments	P 227,280
Adjustments made:	
Allowance for doubtful account (2% x P96,000)	1,920
Merchandise inventory	(16,000)
Prepaid expenses	(5,200)
Accrued expenses	<u>3,200</u>
CC's capital before adjustments	<u>P 211,200</u>

45. A

Assets invested by CC:		
Cash:		
Capital	P211,200	
Add Accounts payable	<u>49,600</u>	
Total assets (excluding cash)	P260,800	
Less Noncash assets (96,000 + P144,000)	<u>240,000</u>	P20,800
Accounts receivable (96,000 – P1,920)		94,080
Merchandise inventory		160,000
Prepaid expenses	<u>5,200</u>	P 280,080
Cash invested by DD		<u>113,640</u>
Total assets of the partnership		<u>P 393,720</u>

46. B

Amount paid	P 102,000
Less: Book value of Williams	
P70,000 + (P360,000 – P300,000) x 20%	<u>82,000</u>
Partial goodwill/revaluation adjustment	P 20,000
Capitalized at P&L of Dixon	<u>20%</u>
Goodwill/revaluation	<u>P100,000</u>
Brown: P65,000 + (P60,000 x 20%) + (P100,000 x 20%)	P 97,000
Lowe: P150,000 + (P60,000 x 60%) + (P100,000 x 60%)	P246,000

47. D - At 31 December 2019 the stage of completion of the contract is 28 percent determined by the independent surveyor.

48. B

	Ding	Laurel	Ezzard	Tillman	Total
Capital before realization	60,000	67,000	17,000	96,000	240,000
Loss on sale (4:2:2:2)	<u>(52,800)</u>	<u>(26,400)</u>	<u>(26,400)</u>	<u>(26,400)</u>	<u>(132,000)</u>
	7,200	40,600	(9,400)	69,600	108,000
Possible insolvency loss (4:2:2)	<u>(4,700)</u>	<u>(2,350)</u>	<u>(9,400)</u>	<u>(2,350)</u>	<u>-0-</u>
Safe payments	<u>2,500</u>	<u>38,250</u>	<u>0</u>	<u>67,250</u>	<u>108,000</u>

49. . B – **Cost recovery method (Zero-profit approach)/Point in Time** should be applied since the outcome of the construction contract cannot be reliably measurable. At the end of 2019 the contractor must recognized only to the extent of recoverable contract costs incurred (i.e., P5,000 contract revenue and P5,000 construction costs/expenses).

ADVANCED FINANCIAL ACCOUNTING & REPORTING

50. C

51. C

In accounting for the combination of NT and OTG, the fair value of the acquisition is allocated to each identifiable asset and liability acquired with any remaining excess attributed to goodwill.

Consideration transferred (shares issued)		P750,000
Less: Fair value of net assets acquired:		
Cash	P29,000	
Receivables	63,000	
Trademarks	225,000	
Record music catalog	180,000	
In-process R&D	200,000	
Equipment	105,000	
Accounts payable	(34,000)	
Notes payable	(45,000)	
		<u>723,000</u>
Goodwill		<u>P 27,000</u>

Entry by NT to record combination with OTG:

Cash	29,000	
Receivables	63,000	
Trademarks	225,000	
Record Music Catalog	180,000	
Capitalized R&D	200,000	
Equipment	105,000	
Goodwill	27,000	
Accounts Payable		34,000
Notes Payable		45,000
Common Stock (NewTune par value)		60,000
PIC - par		690,000
(To record merger with OTG at fair value)		

PIC - par	25,000	
Cash		25,000
(Stock issue costs incurred)		

Post-Combination Balance Sheet:

<u>Assets</u>		<u>Liabilities and Owners' Equity</u>	
Cash	P 64,000	Accounts payable	P 144,000
Receivables	213,000	Notes payable	<u>415,000</u>
Trademarks	625,000	Total liabilities	<u>P 559,000</u>
Record music catalog	1,020,000	Common stock	460,000
Capitalized R&D	200,000	Paid-in capital - par	695,000
Equipment	425,000	Retained earnings	<u>860,000</u>
Goodwill	<u>27,000</u>	Total	<u>P2,574,000</u>
Total	<u>P2,574,000</u>		

52. D – refer to No. 51

53. C – refer to No. 51

54. C – refer to No. 51

55. C – P60,000 + [(P120,000 + P6,000) – (P30,000 + P35,000)] = P121,000

56. B - P20,000 + P80,000 + [P170,000 – (P150,000 + P7,000)] = P113,000 – (P10,000 + P10,000) = P93,000

Note: The lowest priority is given to claims by General Unsecured Creditors (i.e., without priority). These creditors are paid only after secured creditors and unsecured creditors with priority are satisfied to the extent of any legal limits. Often the general unsecured creditors receive less than the full amount of their claim. The amounts to be paid to these creditors are usually stated as a percentage of total claim, such as 77 cents per peso (refer to No. 19), or whatever the specific percentage is. The payment to general unsecured creditors is often termed a “dividend”.

57. C – P93,000/P121,000 = 77% rounded. Refer to “Note” in No. 12

58. B

ADVANCED FINANCIAL ACCOUNTING & REPORTING

59. C

	HO Books - Branch Account	Branch Books - Home Office Account
Balances before adjustments	P 59,365	P 57,525
Adjustments:		
Corrected branch income for January (P1,440 – P215)	1,225	
Understatement of branch paid by home office for December	310	
Expenses of branch paid by home office		215
Collection by home office of branch receivable		(65)
Correction of branch income for January		(215)
Merchandise transferred to Brentwood branch but incorrectly charged by Beverly Hills branch	(1,400)	
Merchandise returns to home office in transit	(840)	
Uncollectible accounts of branch	(1,200)	
Corrected Balances	P 57,460	P 57,460

60. A

61. D

Sales (P100,000 – P33,000 + P50,000).....	P 117,000
Less: Cost of goods sold:	
Inventory, beg. [P15,000 + (P5,500/110%) or (P5,500 – P500)].....	P20,000
Add: Purchases (P50,000 + P7,000).....	57,000
COGAS.....	P77,000
Less: Inventory, end [P11,000 + P1,050 + (P6,000- P1,050)/110%]	16,550
	60,450
Gross profit.....	P 56,550
Less: Expenses (P20,000 + P6,000 + P5,000).....	31,000
Combined Net income.....	P 25,550

62. B – [(P47 x 12,000 shares) – (P70,000 + P210,000 + P240,000 + P270,000 + P90,000 – P420,000)] = P104,000

63. D

APIC: P20,000 + [(P42 – P5) x 12,000 = P464,000
Retained earnings: P160,000, parent only

64. B

Inventory: PP230,000 + P210,000 = P440,000
Land: P280,000 + P240,000 = P520,000

65. B – [P480,000 – (P70,000 + P210,000 + P240,000 + P270,000 + P90,000 – P420,000)] = P20,000

66. B

Total revenue recognized during 2019 (w): P 50 million
CIP contains cost + gross profit = revenue, so W = P50

67. A

Gross profit recognized during 2019 (x): P50 - P35 = P15 P 15 million

68. D

Billings on construction (y): P14 + P46 = P60 P 60 million

69. A

Net billings in excess of construction in progress (z): Billings of P60 – CIP of P50 P10 million

70. B

Calculate the percentage of PAC that was completed during 2019: 33.33%
50/150 = 33.33%

Goodluck and GOD BLESS!!!

***When GOD measures a man, He puts the tape around the heart instead of the head. ***

***Until you make peace with who you are, you'll never be content with what you have. ***

***Only passions, great passions, can elevate the soul to great things. ***

***Most of the things worth doing in the world had been declared impossible before they were done. ***

***The world belongs to the man who is wise enough to change his mind in the presence of facts. ***

***There are only two things in the world to worry over; the things you can control, and the things you can't control. Fix the first forget the second. ***