Practical Accounting
Final Pre-Board Examinations
OPEN

CPA REVIEW
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INSTRUCTIONS: Select the best answer for each of the following questions. Mark only one answer for each item on the answer sheet provided. Strictly NO ERASURES ALLOWED. Erasures will render your examination answer sheet INVALID. Use PENCIL NO. 2 only. GOODLUCK!

1. On January 1, Owner Company signed a 1-year rental with quarterly payments of P100,000 due at the end of each quarter. In addition, the renter must pay contingent rent of 5% of all sales in excess of P10,000,000. The contingent rent is paid in one payment on December 31. On March 31, Owner Company received the first rental payment. At that time, sales for the renter had reached P3,000,000. The same renter has used the building for the past 5 years, and in each of those years the renter reached the contingent rent threshold of P10,000,000 in sales. Accordingly, the accountant for Owner Company recognized total rent revenue of P125,000 for the first quarter, P100,000 collected in cash and another P25,000 in estimated contingent rent. Sales for the quarter ended June 30 were P2,800,000, and the accountant for Owner Company followed the same procedure regarding the contingent rent. Sales in the third quarter were P3,500,000. However, in the third quarter the accountant for Owner Company learned that contingent rentals should not be estimated, but instead should be recognized only after the threshold has been reached. The accounting was done correctly in the third quarter, and the appropriate entry was made to correct the mistakes made in the first and second quarters. Sales by the renter in the fourth quarter were P4,000,000.

The total rent income for the year is
a. P400,000  
   b. P265,000  
   c. P565,000  
   d. P1,365,000

50. The following information pertains to Odious Company for 2009:
   - The company had net monetary items of P80,000 on January 1.
   - Sales of P300,000 and purchases of P120,000 were made evenly throughout the year.
   - Operating expenses of P90,000 and income tax expense of P60,000 were incurred evenly throughout the year.
   - Cash dividends of P20,000 were declared on December 31. Selected values of the CPI-U during 2009 appear below:

<table>
<thead>
<tr>
<th>Jan. 1</th>
<th>Average for year</th>
<th>Dec. 31</th>
</tr>
</thead>
<tbody>
<tr>
<td>110.0</td>
<td>121.0</td>
<td>133.1</td>
</tr>
</tbody>
</table>

The purchasing power gain or (loss) for 2009 expressed in constant year-end pesos is
a. P19,800  
   b. P18,000  
   c. P(19,800)  
   d. P(18,000)

end of examination

Please submit your answer sheet
Keep the questionnaire.

Thank you for taking the PRTC Open Pre-Board Examinations!
4. During the second quarter of a calendar-year company, the

5. This amount is the average of the amount of inventory


7. Included in inventory is merchandise sold to Kemp, 1,000.

8. Included in inventory is P2,500,000 of inventory held


10. The invoice was received and recorded on

11. December 31. The merchandise cost P73,000 and

12. December 30. This merchandise was shipped from

13. December 31. The invoice was received and recorded on

14. December 30. This merchandise was shipped from

15. December 31. The invoice was received and recorded on

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93. December 31. The invoice was received and recorded on

94. December 30. This merchandise was shipped from

95. December 31. The invoice was received and recorded on

96. December 30. This merchandise was shipped from

97. December 31. The invoice was received and recorded on
8. Excluded from inventory was carton labeled "Please accept for credit." This carton contains merchandise costing P15,000 which had been sold to a customer for P25,000. No entry had been made to the books to reflect the return, but none of the returned merchandise seemed damaged.

The adjusted inventory cost of Ovation Company at December 31, 2009 should be
a. P2,217,620  c. P2,411,320
b. P2,396,320  d. P2,373,920

3. Oaf Corporation has determined that its fine china division is a cash-generating unit. The carrying amounts of the assets at 31 December 2009 are as follows:

<table>
<thead>
<tr>
<th>Asset</th>
<th>Carrying Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Factory</td>
<td>P710,000</td>
</tr>
<tr>
<td>Land</td>
<td>150,000</td>
</tr>
<tr>
<td>Equipment</td>
<td>120,000</td>
</tr>
<tr>
<td>Inventory</td>
<td>60,000</td>
</tr>
</tbody>
</table>

Oaf Corporation calculated the value in use of the division to be P510,000. Assuming that the fair value less costs to sell of the land is P145,000, how much is the carrying amount of equipment after allocating impairment loss?

b. P110,909  d. P112,308

Use the following information to answer the next two questions:

One of the cash-generating units of Oak Corporation is associated with the manufacture of wine barrels. At 31 December 2008, Oak Corporation believed, based on an analysis of economic indicators, that the assets of the unit were impaired. The carrying amounts the assets of the unit at 31 December 2008 were:

- Buildings: P420,000
- Accumulated depreciation - buildings (Depreciated at P60,000 per annum): (180,000)

46. Ocelot Corp.'s transactions for the year ended December 31, 2009 included the following:
   - Purchased real estate for P220,000 cash which was borrowed from a bank.
   - Sold available-for-sale securities for P200,000.
   - Paid dividends of P240,000.
   - Issued 500 shares of common stock for P100,000.
   - Purchased machinery and equipment for P50,000 cash.
   - Paid P180,000 toward a bank loan.
   - Reduced accounts receivable by P40,000.
   - Increased accounts payable P80,000.

Ocelot's net cash used in investing activities for 2009 was
a. P70,000  c. P270,000
b. P20,000  d. P150,000

47. The following segments have been identified for a business, along with their sales. No segment qualifies on any other criterion for determining reportable segments except possibly for revenue. Sales for each segment, and the total for the company follow:

<table>
<thead>
<tr>
<th>Segment</th>
<th>Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>P 550,000</td>
</tr>
<tr>
<td>2</td>
<td>200,000</td>
</tr>
<tr>
<td>3</td>
<td>100,000</td>
</tr>
<tr>
<td>4</td>
<td>850,000</td>
</tr>
<tr>
<td>5</td>
<td>150,000</td>
</tr>
<tr>
<td>6</td>
<td>180,000</td>
</tr>
<tr>
<td>7</td>
<td>20,000</td>
</tr>
</tbody>
</table>

P2,050,000 (total company sales)

What is the minimum number of reportable segments for this company?

a. 5  c. 3
b. 4  d. 2
The $35,000 balance in the Savings account, with a bank closed by 2020, includes petty cash vouchers of $52,780, bills and coins on hand of $1,000, and $3,600 petty cash in the petty cash fund.

6. The cash account of Parker Corp. on December 31, 2009 has a balance of $27,600 and is reconciled to the following:

   - Bank service charge: $30
   - Check returned: $120
   - Deposits in transit: $4,500
   - Outstanding checks: $2,100

   The cash balance agrees with the bank statement, and the reconciliation is considered error-free.

7. How much is the carrying amount of factory machinery at December 31, 2009 after allocating the impairment loss?

   Carrying amount of factory machinery on December 31, 2009: $224,300

   Impairment loss: $28,312

   Carrying amount after impairment: $224,300 - $28,312 = $195,988

8. Provide the balance sheet presentation for the equipment for the year ended December 31, 2009, for the company's net cash provided by operating activities.

   - Cash: $117,000
   - Accounts receivable, net: $550,000
   - Inventory: $250,000
   - Prepaid expenses: $50,000
   - Long-term notes payable: $200,000
   - Long-term mortgage payable: $150,000
   - Buildings and equipment, net: $775,000
   - Accounts payable: $250,000

9. The accounts receivable were considered to be collectible.

   Accounts receivable: $1,000,000

   Allowance for doubtful debts: $50,000

10. O/A Corporation reported the following changes in its balance sheet accounts for 2009:

    - Cash: Increase of $20,000
    - Accounts receivable: Increase of $50,000
    - Inventory: Decrease of $20,000
    - Prepaid expenses: Decrease of $20,000

   Prepare a statement of cash flows for O/A Corporation for 2009.
Credit memo from suppliers for purchases returns 6,500
Postage stamps 120
Money order 800
IOU of an employee 400
Checking account balance in Bank of P.I. 22,000

The correct cash balance on December 31, 2009 of Peter Corp. is
a. P76,580  c. P75,130
b. P76,330  d. P75,930

7. Out Company accepted a P10,000, 2% interest-bearing note from Look company on December 31, 2008, in exchange for a machine with a list price of P8,000 and a cash price of P7,500. The note is payable on December 31, 2010. In its 2008 income statement, Out should report the sale at
a. P 7,500  c. P 8,000
b. P10,000  d. P10,400

8. On December 31, 2007, Over Corporation borrowed from Whelm Bank, signing a 5-year non-interest-bearing note for P100,000. The note was issued to yield 10% interest. Unfortunately, during 2009, Over began to experience financial difficulty. As a result, at December 31, 2009, Whelm Bank determined that it was probable that it would receive back only P75,000 at maturity. The market rate of interest on loans of this nature is now 11%. How much should be recognized as loan impairment loss in 2009?

a. P11,952  c. P20,292
b. P18,782  d. P 5,743

9. Otter Company sold receivables with recourse for P530,000. Otter received P500,000 cash immediately from the factor. The remaining P30,000 will be received once the factor verifies that none of the receivables is in dispute. Control was surrendered by Otter. The receivables had a face amount of P600,000; Otter had previously established an Allowance for Bad Debts of P25,000 in connection with these receivables.

Income taxes paid during 2009 were P82,000, which consisted of the tax on continuing operations, plus P8,000 resulting from operations of the discontinued cosmetics division and P10,000 from an extraordinary gain, less a P20,000 tax reduction for the loss on the sale of the cosmetics division. Dividends of P40,000 were declared by the company during the year (35,000 ordinary shares are outstanding).

The adjusted income from continuing operations for the year ended December 31, 2009 is
a. P141,000  c. P131,000
b. P235,000  d. P121,000

43. Given the following information regarding a company's insurance transactions:

<table>
<thead>
<tr>
<th></th>
<th>Year 1</th>
<th>Year 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prepaid insurance (end of year)</td>
<td>P1,000</td>
<td>P2,000</td>
</tr>
<tr>
<td>Insurance payable (end of year)</td>
<td>6,000</td>
<td>4,000</td>
</tr>
<tr>
<td>Insurance payments paid in cash (during year)</td>
<td>16,000</td>
<td>10,000</td>
</tr>
</tbody>
</table>

What amount of insurance expense should be shown on the year 2 income statement?

a. P13,000  c. P10,000
b. P11,000  d. P 7,000

44. The following balances were reported by Obstreperous Co. at December 31, 2009 and 2008:

<table>
<thead>
<tr>
<th></th>
<th>12/31/2009</th>
<th>12/31/2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inventory</td>
<td>P260,000</td>
<td>P290,000</td>
</tr>
<tr>
<td>Accounts Payable</td>
<td>75,000</td>
<td>50,000</td>
</tr>
</tbody>
</table>

Obstreperous paid suppliers P490,000 during the year ended December 31, 2009. What amount should Obstreperous report for cost of goods sold in 2009?

a. P545,000  c. P485,000
b. P495,000  d. P435,000
of P8,000
debt for income tax refund
Commission of depreciation charge of prior years (a)
amended 2009 return is filed
of income taxes of P2,000 to be paid when
Commission of expenses deducted in 2008 (net)
Discord of corporate earnings division
Income from continuing operations of a

Following is a list of special items:

Commission of operating operations was P2,000 before income tax on January 4, 2009 of P620,000. For 2009, the income from

How much is the total cost of goods available for sale?

Beginning inventory:

Ending inventory:

0% of cost
Original amount to six times the gross amount of income tax expense. Additional data: the income tax rate is 30 percent operating

12,000 shares outstanding

Issuing per share

Income Statement:

Cost of goods sold

Goods available

Purchased

Inventories, January 1

Inventories, December 31

Profit or loss:

Net income

Incomes before taxes

Commission of expenses deducted in 2008 (net)

Commission of expenses deducted in 2008 (net)

Commission of expenses deducted in 2008 (net)

Commission of expenses deducted in 2008 (net)

Commission of expenses deducted in 2008 (net)

Commission of expenses deducted in 2008 (net)

Commission of expenses deducted in 2008 (net)

Commission of expenses deducted in 2008 (net)

Commission of expenses deducted in 2008 (net)

Commission of expenses deducted in 2008 (net)

Commission of expenses deducted in 2008 (net)
On December 31, 2008, Obelisk transferred the securities to available-for-sale because of the global financial crisis. How much should be recognized as other comprehensive income in 2009 related to these securities?

a. P260,000
b. P180,000
c. P80,000
d. Nil

13. On January 1, 2009, Otto Co. purchased 25% of Man Corp.’s ordinary shares; no goodwill resulted from the purchase. Otto appropriately charges this investment at equity and the balance in Otto’s investment account was P480,000 at December 31, 2009. Man reported net income of P300,000 for the year ended December 31, 2009, and paid dividends totaling P120,000 during 2009. How much did Otto pay for its 25% interest in Man?

a. P435,000
b. P525,000
c. P510,000
d. P585,000

14. On January 1, 2009, Ossify Corporation purchased P4,000,000 10% bonds for P3,711,520. Ossify plans to hold the investment in bonds to maturity. However, if market interest rates fall sufficiently, Ossify will consider selling the investment in bonds to realize associated gain. The bonds were purchased to yield 12%. Interest is payable annually every December 31. The bonds mature on December 31, 2013. On December 31, 2009 the bonds were selling at 99. On December 31, 2010, Ossify sold P2,000,000 face value bonds at 101, which is the fair value of the bonds on that date, plus accrued interest.

How much should be recognized as other comprehensive income in 2009 related to this investment?

a. P203,098
b. P248,480
c. P152,270
d. P 0

40. The current assets section of the balance sheet prepared by the accountant of Olive Co. as at December 31, 2009 follows:

- Cash: P 33,200
- Accounts receivable: 208,700
- Trading securities: 35,500
- Inventory: 124,000
- Deferred tax: 5,600

P407,000

An examination of the accounts showed the following information:

- Cash on hand, including a customer’s NSF check of P1,200: P 4,700
- Cash in bank, (reconciliation shows bank charges in December, 2009 not yet taken up by Company, P900): 28,500
- Cash account: P33,200
- Customer’s debit balances: P203,400
- Allowance for bad debts: (9,700)
- Selling price of goods invoiced to a customer at 150% of cost on December 27, 2009 but delivered on January 10, 2010 (The goods were not included in Inventory): 15,000
- Accounts receivable: P208,700

The correct amount of current assets at December 31, 2009 was:

a. P399,900
b. P394,300
c. P384,300
d. P395,500
the year's reserve value of the policy. The cash surrender
value of the policy is $9,500 on January 1, 2009. The
surrender option is available to the policyholder anytime

During 2009, dividends of $3,000 were applied to increase
the insurance expense recognized.

Annual accident premium paid Jan 1, 2009
Cash surrender value Jan 1, 2009

$9,500.00
0
P3,000.00
P2,500.00

Recognized in profit or loss

0
P3,000.00
P2,500.00
P3,500.00
P4,000.00

The new value is $9,000.00. The new value after
deducting the cost of the policy is $9,000.00. The new value
is based on the insurance expense recognized as of January 1,
2009.

The new value is $9,000.00. The new value after
deducting the cost of the policy is $9,000.00. The new value
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2009.

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deducting the cost of the policy is $9,000.00. The new value
is based on the insurance expense recognized as of January 1,
2009.
18. Ornate Co. requires advance payments with special orders for machinery constructed to customer specifications. These advances are nonrefundable. Information for 2009 is as follows:

   Customer advances-balance 12/31/08      P236,000
   Advances received with orders in 2009    368,000
   Advances applied to orders shipped in 2009 328,000
   Advances applicable to orders canceled in 2009 100,000

In Ornate's December 31, 2009 balance sheet, what amount should be reported as a current liability for advances from customers?
   a. P 0
   b. P176,000
   c. P276,000
   d. P296,000

19. On 1 January 2004, Oasis Corporation issued a 10 per cent convertible debenture with a face value of P5,000,000 maturing on 31 December 2013. The debenture is convertible into ordinary shares of Oasis Corporation at a conversion price of P25 per share. Interest is payable half-yearly in cash. At the date of issue, Oasis Corporation could have issued nonconvertible debt with a ten-year term bearing a coupon interest rate of 11 per cent.

   On 1 January 2009, the convertible debenture has a fair value of P5,600,000. Oasis Corporation makes a tender offer to the holder of the debenture to repurchase the debenture for P5,600,000, which the holder accepts. At the date of repurchase, Oasis Corporation could have issued nonconvertible debt with a five-year term bearing a coupon interest rate of 8 per cent.

Compute the amount to be recognized in profit or loss as a result of the repurchase of the debenture.
   a. P594,325
   b. P788,600
   c. P 509,700
   d. P1,708,525

37. Presented below is the December 31 trial balance of Obfuscate Company.

   Obfuscate Company
   Trial Balance
   December 31, 2009

   Cash
   Debit  Credit
   P14,800
   Accounts Receivable
   33,600
   Allow. For Doubtful Accounts
   2,160
   P
   Inventory, January 1
   62,400
   Furniture and Equipment
   67,200
   Accumulated Depreciation, January 1
   26,880
   Prepaid Insurance
   4,080
   Notes Payable
   22,400
   Owner, Capital
   72,000
   Sales
   480,000
   Purchases
   320,000
   Sales Salaries Expense
   40,000
   Advertising Expense
   5,360
   Administrative Salaries Expense
   52,000
   Office Expense
   4,000

   P603,440   P603,440

Information necessary for the preparation of adjusting journal entries:

   a) Adjust the Allowance for Doubtful Accounts to 8 percent of the accounts receivable.
   b) Furniture and equipment is depreciated at 20 percent per year.
   c) Insurance expired during the year, P2,040.
   d) Interest accrued on notes payable, P2,688.
   e) Sales salaries incurred but not paid, P1,920.
   f) Advertising paid in advance, P560.
   g) Office supplies on hand, P1,200, charged to Office Expense when purchased.
   h) Inventory on December 31, P64,000.
22. Oreal Corporation leased equipment to lease on January 1, 2008. The lease is for an eight-year period expiring December 31, 2015. The lease is the only asset recorded at December 31, 2007. The lease is accounted for as a sale-leaseback transaction. The lease is accounted for as a capital lease at January 1, 2008. Oreal has a residual value of $50,000.

23. The company reported the leased asset on the balance sheet at $650,000. The leased asset should be reported as an asset at the leased asset's fair value and expense should be reported as interest expense. The leased asset was acquired at a cost of $800,000. In 2009, the leased asset was sold for $600,000.

24. The purchase of a new machine on April 1, 2009, which was purchased for $500,000, was recorded as a debit to office equipment and a credit to cash.

25. The service revenue account was totaled at $2,500. The service revenue account was credited to the general ledger at $2,500. The service revenue account was credited to the general ledger at $2,500.

26. A payment of $500 for property taxes was credited to $500.

27. The purchase of a new machine cost $3,000. The purchase of a new machine cost $3,000.

28. A payment of $500 for property taxes was credited to $500.

29. The purchase of a new machine cost $3,000. The purchase of a new machine cost $3,000.

30. The service revenue account was totaled at $2,500. The service revenue account was credited to the general ledger at $2,500. The service revenue account was credited to the general ledger at $2,500.
23. The following information relates to the defined benefit pension plan of the Orifice Company for the year ending December 31, 2009:

Projected benefit obligation, January 1: P9,200,000
Projected benefit obligation, December 31: 9,458,000
Fair value of plan assets, January 1: 10,070,000
Expected return on plan assets: 900,000
Actual return on plan assets: 990,000
Amortization of unrecognized actuarial gain (based on average remaining service life of 10 years): 65,000
Employer contributions: 850,000
Benefits paid to retirees: 760,000
Settlement rate: 10%

The amount to be recognized in the statement of financial position as of December 31, 2009 is:

a. P10,000
b. P75,000
c. P77,000
d. P997,000

24. Offing Co. has an agreement with the sales manager that she is to receive a bonus of 5% of net income after deduction of the bonus and income taxes. Company income before deduction of the bonus and income taxes is P250,000. Income taxes are 30% and the bonus is deductible for taxes. How much is the bonus payable to the sales manager?

a. P8,454
b. P9,067
c. P8,215
d. P9,358

34. Obsequious Corp.'s current balance sheet reports the following shareholders' equity:

5% cumulative preference share capital, par value P100 per share; 2,500 shares issued and outstanding: P250,000
Ordinary share capital, par value P3.50 per share; 100,000 shares issued and outstanding: 350,000
Share premium - ordinary: 125,000
Retained earnings: 300,000

Dividends in arrears on the preference shares amount to P25,000. If Obsequious were to be liquidated, the preference shareholders would receive par value plus a premium of P50,000. The book value per share of ordinary share is:

a. P7.75
c. P7.25
b. P7.50
d. P7.00

35. For the year ended May 31, 2008, Onyx, Inc. had per share earnings of P4.80. Onyx's outstanding shares for the 2007-2008 fiscal year consisted of 2,000,000 of 10% preference shares with P100 par value and 1,000,000 ordinary shares. On June 1, 2008, the ordinary shares were split 3 for 1, and the company redeemed one-half of the preference shares at par value. Onyx's profit for the year ended May 31, 2009, was 10% higher than in 2008. The earnings per share for the fiscal year ended May 31, 2009 is:

a. P1.73
c. P1.80
b. P1.77
d. P2.70
<table>
<thead>
<tr>
<th>Date</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>12/31/2000</td>
<td>Deposits received in advance</td>
<td>$15,000</td>
</tr>
<tr>
<td>12/31/2000</td>
<td>Provision for warranty</td>
<td>$3,000</td>
</tr>
<tr>
<td>12/31/2000</td>
<td>Motor vehicles</td>
<td>$2,000</td>
</tr>
<tr>
<td>12/31/2000</td>
<td>Accounts receivable</td>
<td>$1,500</td>
</tr>
<tr>
<td>12/31/2000</td>
<td>Interest receivable</td>
<td>$500</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>$20,000</td>
</tr>
</tbody>
</table>

**22.** The following information was extracted from the records of the company at December 31, 2000:

- **Paid-in Capital:**
  - Common stock, $1 par value: 2,000,000 shares, $50,000
  - Preferred stock, $10 par value: 100,000 shares, $1,000

**23.** On December 31, 2008, mercantile bank entered into a dealer agreement with Mercantile Corp., which was restructuring agreement with Mercantile Corp. On December 31, 2009, Mercantile Corp. entered into a dealer agreement with Mercantile Corp.

**24.** On December 31, 2009, Mercantile Corp. entered into a dealer agreement with Mercantile Corp.

**25.** Goods subject to the 2% return policy:

<table>
<thead>
<tr>
<th>Date</th>
<th>Description</th>
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</thead>
<tbody>
<tr>
<td>12/31/2000</td>
<td>Goods returned to factory</td>
<td>$1,000</td>
</tr>
<tr>
<td>12/31/2000</td>
<td>Goods returned to factory</td>
<td>$2,000</td>
</tr>
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<td>Goods returned to factory</td>
<td>$3,000</td>
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<td>12/31/2000</td>
<td>Goods returned to factory</td>
<td>$4,000</td>
</tr>
</tbody>
</table>

**26.** Goods subject to the 2% return policy:

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**27.** Goods subject to the 2% return policy:

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**28.** Goods subject to the 2% return policy:

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<td>12/31/2000</td>
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**29.** Goods subject to the 2% return policy:

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**30.** Goods subject to the 2% return policy:

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<tr>
<td>12/31/2000</td>
<td>Goods returned to factory</td>
<td>$4,000</td>
</tr>
</tbody>
</table>

**31.** On January 1, 2009, Mercantile Corp. entered into a dealer agreement with Mercantile Corp.
The depreciation rates for accounting and taxation are 15% and 25% respectively. Deposits are taxable when received, and warranty costs are deductible when paid. An allowance for doubtful debts of P25,000 has been raised against accounts receivable for accounting purposes, but such debts are deductible only when written off as uncollectible.

The net journal entry to record deferred tax for the year ended 31 December 2009 assuming no deferred items had been raised in prior years, will increase (decrease) profit by

a. P3,600 increase
b. P3,600 decrease
c. P12,000 increase
d. P15,600 decrease

28. On July 1, 2008, the Obnoxious Corporation was registered with the SEC. Its authorized share capital consists of 100,000 ordinary shares with par value P20.00 per share.

On July 15, 2008, it issued 10,000 shares at P23 per share. On October 15, 2008, the Obnoxious Corp. paid to the majority shareholder the sum of P80,000 for a certain parcel of land; and issued 5,000 ordinary shares for the building on the land. The land was appraised at P130,000. The building has a cost of P150,000 and its depreciated value is P90,000. It was appraised at P120,000.

On April 15, 2009, the corporation purchased 5,000 of its own ordinary shares for P100,000. On June 15, 2009, 2,000 of the treasury shares were sold at P24 per share.

How much is the total share premium of Obnoxious Corp. on June 30, 2009?

a. P108,000
b. P100,000
c. P88,000
d. P58,000

29. At the beginning of year 1, Opaque Corp. grants share options to each of its 100 employees working in the sales department. The share options will vest at the end of year 3, provided that the employees remain in the entity's employ, and provided that the volume of sales of a particular product increases by at least an average of 5 per cent per year. If the volume of sales of the product increases by an average of between 5 per cent and 10 per cent per year, each employee will receive 100 share options. If the volume of sales increases by an average of between 10 per cent and 15 per cent each year, each employee will receive 200 share options. If the volume of sales increases by an average of 15 per cent or more, each employee will receive 300 share options. On grant date, Opaque Corp. estimates that the share options have a fair value of P20 per option.

By the end of year 1, seven employees have left and the entity expects that a total of 20 employees will leave by the end of year 3. Product sales have increased by 12 per cent and the entity expects this rate of increase to continue over the next 2 years.

By the end of year 2, a further five employees have left. The entity now expects only three more employees will leave during year 3. Product sales have increased by 18 per cent. The entity now expects that sales will average 15 per cent or more over the three-year period.

By the end of year 3, a further two employees have left. The entity’s sales have increased by 17 per cent.

Compute for the amount to be recognized as compensation expense in year 3.

a. P516,000
b. P170,000
c. P176,000
d. P4,000

30. Ooze, a public limited company, has granted 100 share appreciation rights to each of its 1,000 employees in January 2009. The management feels that as of December 31, 2009, 90% of the awards will vest on December 31, 2011. The fair value of each share appreciation right on December 31, 2009, is P10. What is the fair value of the liability to be recorded in the financial statements for the year ended December 31, 2009?