National Federation of Junior Philippine Institute of Accountants

2011 NATIONAL CPA MOCK BOARD EXAMINATION

In partnership with the Professional Review & Training Center, Inc. and Isla Lipana & Co.

PRACTICAL ACCOUNTING 2

INSTRUCTIONS: Select the best answer for each of the following questions. Mark only one answer for each item on the answer sheet provided. AVOID ERASURES. Answers with erasures may render your examination answer sheet INVALID. Use PENCIL NO.2 only. GOODLUCK!

The following information is available concerning America-on-line Inc. on the date the company entered bankruptcy proceeding:

Account	Balance per Books
Cash	P2,860
Accounts receivable	52,260
Inventory	28,000
Prepaid expenses	430
Buildings, net	59,000
Equipment, net	5,600
Goodwill	5,650
Wages payable	(2,500)
Taxes payable	(1,810)
Accounts payable	(79,000)
Notes payable	(15,150)
Common stock	(72,000)
Retained earnings, Deficit	16,660

Inventory with a book value of P20,000 is security for notes of P10,000. The other notes are secured by the equipment.

Expected realizable values of the assets are:

Accounts receivable	P44,100
Inventory	18,500
Buildings	22,000
Equipment	2,000

1. What is the estimated deficiency to unsecured creditors?
   a. P 9,000 c. P72,500
   b. P65,500 d. P79,000

Because of inability to pay its debts, the Bakit_kaya Manufacturing Company has been forced into bankruptcy as of April 30, 2010. The balance sheet on that date shows:

ASSETS	
Cash	P 2,700
Accounts Receivable	39,350
Notes Receivable	18,500
Inventories	87,850
Prepaid expenses	950
Land and building	61,250
Equipment	48,800
	P 259,400
LIABILITIES	
Accounts payable	P 52,500
Notes payable – PNB	15,000
Note payable – suppliers	51,250
Accrued wages	1,850
Accrued taxes	4,650
Mortgage bond payable	90,000
Common stock – P10 par	75,000
Retained earnings	(30,850)
	P 259,400

Additional information:

a. Accounts receivable of P16,950 and notes receivable of P12,500 are expected to be collectible. The good notes are pledged to PNB
b. Inventories are expected to bring in P45,100 when sold under bankruptcy condition.
c. Land and buildings have an appraised value of P95,000. they serve as security on the bonds.
d. The current value of the equipment, net of disposal cost is P9,000.

2. What is the estimated payment to all creditors?
   a. P102,500 c. P118,750
   b. P215,250 d. P181,250

Cho Nam Restaurant sold a fastfood restaurant franchise to Moon Corporation. The sale agreement signed on January 2, 2011 called for a P60,000 down payment plus two P20,000 annual payments representing the value of initial franchise services rendered by Cho Nam. The present value of two annual payments appropriately discounted at 10% is P34,710. In addition, the agreement required the franchisee to pay 5% of its gross revenues to the franchisor; this was deemed sufficient to cover the cost and provide a reasonable profit margin on continuing franchise services to be performed by Cho Nam. The restaurant opened early in 2011, and its sales for the year amounted to P500,000.

3. Cho Nam Restaurant's 2011 total revenue from the Moon franchise will be:
   a. P60,000 c. P119,710
   b. P94,710 d. P148,180

On November 31, 2010, Napisa Inc. signed an agreement authorizing Alonzo company to operate as a franchisee for an initial franchise fee of P50,000. Of this amount, P20,000 was received upon signing of the agreement and the balance is due in three annual payments of P10,000 each beginning December 31, 2011. The agreement provides that the down payment (representing a fair measure of the services already performed by Napisa, Inc.) is not refundable and substantial services are required of Napiza. Alonzo Company's credit rating is such that collection of the note is reasonably assured. The present value at December 31, 2010 of the three annual payments discounted at 14% (the implicit rate for a loan of this type) is P23,220.

4. On Dec. 31, 2010, Alonzo Company should record unearned franchise fees of:
   a. P23,220 c. P43,220
   b. P30,000 d. P50,000

M.A. Sarap Restaurant sold a fastfood restaurant franchise to M. A.Takaw Corporation. The sale agreement signed on January 2, 2010 called for a P80,000 down payment plus two P10,000 annual payments representing the value of initial franchise services rendered by M.A.Sarap. The present value of two annual payments appropriately discounted at 10% is P17,355. In addition, the agreement required the franchisee to pay 5% of its gross revenues to the franchisor; this was deemed sufficient to cover the cost and provide a reasonable profit margin on continuing franchise services to be performed by M.A.Sarap. The restaurant opened early in 2010 and its sales for the year amounted to P500,000.

5. M.A.Sarap Restaurant's 2010 total revenue from the franchisee will be:
   a. P 30,000 c. P 72.335
   b. P 47,355 d. P 122,355

On January 2, 2009, Cavite Construction Company entered into contract to construct two projects. The following data relate to the construction period.

	Project 7	Project 8
Contract price	P945,000	P675,000
Cost incurred during 2008	540,000	630,000
Estimated costs to complete	270,000	157,500
Billings to customer	337,500	607,500

6. What amount of gross profit should Cavite Construction Company report in its 2009 income statement under the following methods?

	Percentage of Completion Method	Zero Profit Method
a.	P 0	P (90,000)
b.	P (112,500)	P (22,500)
c.	P (22,500)	P 0
d.	P (22,500)	P(112,500)

Benguet Company recognizes construction revenue and costs using the percentage of completion method. During 2009, a single long-term project was begun which continued through 2010. Information on the project follows:

	2009	2010
Accounts receivable	P350,000	P1,050,000
Construction costs	367,500	672,000
Construction in progress	427,000	1,274,000
Partial billings on contract	350,000	1,470,000

7. What is the gross profit recognized from this long-term contract?

	2009	2010
a.	P 77,000	P 798,000
b.	77,000	350,000
c.	59,500	448,000
d.	59,500	175,000

Aklan Construction Company began operations on January 2, 2009. During the year, the company entered into a contract with TEAM Company to construct a manufacturing facility. At that time Aklan estimated that it would take five years to complete the facility at a cost of P3,937,500. The total contract price for the construction of the facility is P5,468,750. During the year, the company incurred P962,500 in construction costs related to the construction project. The estimated cost to complete the contract is P3,412,500. TEAM was billed and paid 30% of the contract price subject to a 10% retention.

8. Using the percentage of completion method, how much is the excess of Construction in Progress over Contract Billings or Contract Billings over Construction in Progress?
   a. P273,437.50 (current liability)
   b. P273,437.50 (current asset)
   c. P 437,500 (current asset)
   d. P 437,500 (current liability)

FEU Corporation prepared the following working papers at December 31, 2010 in presenting its financial statements for 2010 under the proportionate consolidation method:

		WPEE		Prop. CFS
Particulars	**FEU**	**Debit**	**Credit**	
Revenues	P10,800,000		250,000	P11,050,000
Expenses	9,280,000	192,500		9,472,500
Profit	1,520,000			1,577,500
Ordinary shares	3,000,000			3,000,000
Retained earnings	920,000			920,000
Liabilities	840,000		362,500	1,202,500
Totals	P6,280,000			P6,700,000
Current assets	P1,830,000	557,500		P2,387,500
Plant assets	3,900,000	1,175,000		5,075,000
Accumulated Dep.	(700,000)	62,500		(762,500)
Investment in JV	1,250,000	1,250,000		
Totals	P6,280,000	1,925,000	1,925,000	P6,700,000

9. If the one-line consolidation method was used instead, how much would be the amount of Retained Earnings that will be shown in FEU's balance sheet at December 31, 2010?
   a. P920,000 c. P2,440,000
   b. P977,500 d. P2,497,500

10. If the one-line-consolidation method was used, how much will be the reported amounts for (1) the Investment in JV and (2) current assets on FEU's balance sheet at December 31, 2010?
    a. (1) P0 & (2) P2,387,500
    b. (1) P1,250,000 & (2) P2,387,500
    c. (1) P1,250,000 & (2) P1,830,000
    d. (1) P1,307,500 & (2) P1,830,000

The statement of affairs of GHI Company shows the following summarized balances:

Estimated gains on realization of assets	P 945,000
Estimated losses on realization of assets	1,695,000
Contingent assets	750,000
Current assets	100,000
Other assets	1,200,000
Liabilities	400,000
Contingent liabilities	225,000
Capital stock	1,500,000
Retained earnings (deficit)	600,000

11. Determine the estimated pro-rata payment on the peso to stockholders in the event of corporate liquidation.
    a. P0.75 c. P0.43
    b. P0.30 d. P0.70

Trading accounts for its sales under the installment sales method. On January 1, 2011 its ledger accounts include the following balances:

Installments Receivable, 2009	P 24,640
Installments Receivable, 2010	99,200
Deferred gross profit, 2009	7,392
Deferred gross profit, 2010	39,680

Installment sales in 2011 were made at 42% gross profit rate. At December 31, 2011, account balances before adjustments were as follows:

Installments Receivable, 2009	P 0
Installments receivable, 2010	26,880
Installments receivable, 2011	64,320
Deferred gross profit, 2009	7,392
Deferred gross profit, 2010	39,680
Deferred gross profit, 2011	48,518.40

12. The total realized gross profit for the year ended December 31, 2011 was
    a. P57,824 c. P63,302.40
    b. P62,406.40 d. P62,304

USJR Company which began operations on January 5, 2010, appropriately uses the installment method of revenue recognition. The following information pertains to the company's operations for 2010 and 20101

	2010	2011
Sales	P 192,000	P288,000
Collections from		
2010 sales	64,000	32,000
2011 sales	0	96,000
Accounts written off from		
2010 sales	16,000	48,000
2011 sales	0	96,000
Gross profit rates	30%	40%

13. What amount should USJR Company report as deferred gross profit in its December 31, 2011 balance sheet?

a. P 48,000 c. P 71,680
b. P 64,000 d. P 84,000

USC Company began operations on June 1, 2011. The following information are extracted from its records at year-end. Cost of installment sales, P1,090,750; Cost of Regular Sales, P1,050,000. Mark-up on installment sales is 140% of cost while regular sales is 33-1/3% based on sales. At the end of 2011, the balance of Installment accounts receivable is P1,575,000; Accounts receivable is P735,000. Operating expense total to 70% of the realized gross profit.

14. What is the net income for the year
    a. P267,750 c. P 339,990
    b. P341,250 d. P173,999

On November 1, 2010 Ram Sales Company established a sales agency in Makati. The home office sent merchandise samples costing P20,000 and a cash working fund of P10,000 to be maintained under the imprest system. During the month of November, the sales agency transmitted to the home office sales orders. These were billed at P140,000 of which P40,000 were collected. The sales agency paid expenses of P 16,500 (including rent for 2 months of P8,000) and was reimbursed by the home office. On December 31, 2010, the sales agency samples were valued at P 12,000. It was estimated that the gross profit on goods shipped to fill agency sales orders averaged 40% of cost.

15. The net income (loss) of the agency for Nov. is
    a. P 27,500 c. P 15,500
    b. P 11,500 d. P 23,500

Rocco Corporation has two branches in which merchandise is transferred at cost plus 20% plus freight charges. On November 30, 2010, Rocco shipped merchandise that cost P150,000 to its Antipolo branch, and the P4,000 shipping charges were paid by Rocco. On December 15, 2010, the Taytay branch encountered an inventory shortage, and the Antipolo branch shipped the merchandise to the Taytay branch at a feight cost of P3,200 paid by Taytay. Shipping charges from the home office to the Taytay branch would have been P6,000.

16. As a result of the inter-branch inventory transfer, the total amount credited to the Home Office account by the Taytay branch.
    a. P 152,800 c. P 184,000
    b. P 186,000 d. P 182,800

A home office ships merchandise to the branch at 30% above cost. The allowance for overvaluation at the beginning of the year was P 24,000 and at the end of the year, the balance before adjustment was P264,000, and after the adjustment, the balance is P27,000.

17. The cost of goods available for sale on the books of the branch
    a. P 880,000 c. P 1,144,000
    b. P 1,040,000 d. P 1,027,000

Palawan Co. issued 120,000 shares of P25 par ordinary shares for all the outstanding stock of Sorsogon Co. in business combination consummated on July 1, 2010. Palawan's ordinary shares were selling at P40 per shares at the time of the combination. In additional cash payment of P200,000 was made and a deferred cash payment of P1,500,000 payable on July 1, 2011. Market rate of interest is 10%. Sorsogon's net assets were P3.8 million at book value. Out of pocket costs of the combination were as follows: Legal and accounting fees related with the issuance of shares – P 12,000; printing cost for stock certificates – P9,400. A contingent consideration guaranteed by Palawan over the market value of its issued shares not falling under a minimum amount is measured at P50,200. The probability Palawan's issued shares would fall below the guaranteed market value over the guarantee period is 5%.

18. The total cost of the investment is
    a. P 6,366,147 c. P 6,363,637
    b. P 6,413,837 d. P 6,388,200

On January 1, 2010, David Corporation paid P800,000 and issued 18,000 shares of P50 par ordinary shares with market value of P1,320,000 for all the net assets of Goliath Corporation. In addition, David paid P12,000 for registering and issuing the 18,000 shares and P20,000 for indirect costs of the business combination. Summary balance sheet information for the companies immediately before the merger is as follows:

	David Corporation Book Value	Goliath Corporation Book Value	Goliath Corporation Fair Value
Cash	P1,400,000	P160,000	P160,000
Inventories	480,000	320,000	400,000
Other current assets	120,000	80,000	80,000
Plant assets – net	1,040,000	720,000	1,120,000
Current liabilities	640,000	120,000	120,000
Other liabilities	320,000	200,000	160,000
Ordinary shares, P50 par	1,680,000	800,000	
Retained earnings	400,000	160,000	

19. The total assets immediately after the merger is
    a. P 4,488,000 c. P 4,608,000
    b. P 4,008,000 d. P 5,440,000

20. The total stockholders' equity after the merger is
    a. P 3,368,000 c. P 4,210,000
    b. P 5,410,000 d. P 3,460,000

Balance sheet data for P Corporation and S Company on December 31, 2010, are given below:

	P Corporation	S Company
Cash	P 70,000	P 90,000
Merchandise Inventory	100,000	60,000
Property and equipment (net)	500,000	250,000
Investment in S Company	260,000	
Total assets	P 930,000	P400,000
Current liabilities	P180,000	P 60,000
Long term liabilities	200,000	90,000
Common stock	300,000	100,000
Retained earnings	250,000	150,000
Total liabilities & SE	P930,000	P400,000

P Corporation purchased 80% interest in S Company on December 31, 2010 for P260,000. S Company's property and equipment had a fair value of P50,000 more than the book value shown above. All other book values approximated fair value. In the consolidated balance sheet on December 31, 2010.

21. The amount of total stockholders' equity to be reported will be
    a. P 550,000 c. P 750,000
    b. P 610,000 d. P 615,000

22. The amount of non-controlling interest will be
    a. P 50,000 c. P 110,000
    b. P 60,000 d. P 65,000

On January 1, 2010. SABINA Corporation purchased 75% of the common stock of ARGO Company. Separate balance sheet data for the companies at the combination date are given below:

	Sabina	Argo
Cash	12,000	103,000
Accounts Receivables	72,000	13,000
Inventory	66,000	19,000
Land	39,000	16,000
Plant Assets	350,000	150,000
Accum. Depreciation	(120,000)	(30,000)
Invesment in Argo	196,000	-
Total Assets	615,000	271,000
Accounts Payable	103,000	71,000
Capital Stock	400,000	150,000
Retained Earnings	112,000	50,000
Total Equities.	615,000	271,000

At the date of combination the book values of ARGO's net assets was equal to the fair value of the net assets except for ARGO's inventory which has a fair value of P30,000.

23. What amount of goodwill will be reported?
    a. P15,667 c. P21,000
    b. P37,750 d. P50,333

Job No. 41 (consisting of 5,000 units) was started in September, 2009 and it is special in nature because of its strict specifications. Factory overhead is charged at P 0.80 per unit and includes a P.05 provision for defective work. The prime costs incurred in September are: Direct materials, P 9,000 and Direct labor, P 4,800. Upon inspection, 80 units were found with imperfections and required the following reprocessing costs, Direct materials, P 1,500 and direct labor, P 800.

24. The unit cost of Job No. 41, upon completion, is:
    a. P 4.10 c. P 3.98
    b. P 4.05 d. P 3.62

Marco Corporation has a job order cost system. The following debits (credits) appeared in the general ledger account work-in-process for the month of September, 2010:

September 1 Balance	P 12,000
September 30, direct materials	40,000
September 30, direct labor	30,000
September 30, factory overhead	27,000
September 30, to finished goods	(100,000)

Marco applies overhead to production at a predetermined rate of 90% based on the direct labor cost. Job no. 232, the only job still in process at the end of September, 2010, has been charged with factory overhead of P2,250.

25. What was the amount of direct materials charged to Job 232 as at end of September, 2009?
    a. P2,250 c. P4,250
    b. P2,500 d. P9,000

Justine Company budgeted total variable overhead costs at P180,000 for the current period. In addition, they budgeted costs for factory rent at P215,000, costs for depreciation on office equipment at P 12,000, costs for office rent at P92,000, and costs for depreciation of factory equipment at P 38,000. All these costs were based upon estimated machine hours of 80,000. Actual factory overhead for the period amounted to P387,875 and machine hours used totaled 74,000 hours.

26. What was the over or underapplied factory overhead for the period?
    a. P12,650 overapplied c. P108,850 overapplied
    b. P12,650 underapplied d.P108,850 underapplied

Roy Co. manufactures product X in a two-stag production cycle in Dept. A and B. Materials are added at the beginning of the process in Dept. B. Roy uses the weighted average method. Conversion costs for Dept. B were 50% complete as to the 6,000 units in the beginning WP and 75% complete as to the 8,000 units in the ending work in process. 12,000 units were completed and transferred out of Dept. B during February. An analysis of the costs relating to work in process and production activity in Dept. B for February is as follows:

	Trans-in	Materials	Conversion
WP, Feb.1	P12,000	P2,500	P1,000
Feb- costs added	29,000	5,500	5,000

27. The total cost per equivalent unit transferred out for February of Product X, rounded to the nearest centavo
    a. P2.75 c. P2.78
    b. P2.82 d. P2.85

The Wiring Dept. is the second stage of Fern Company's production cycle. On May 1, the beginning work in process contained 25,000 units which were 60% complete as to conversion costs. During May, 100,000 units were transferred in from the first stage of Fern's production cycle. On May 31, the ending work in process contained 20,000 units which were 80% complete as to conversion costs. Material costs are added at the end of the process.

28. Using the weighted-average method, equivalent units were:

	Transf.-in costs	Materials	Conversion cost
a.	100,000	125,000	100,000
b.	125,000	105,000	105,000
c.	125,000	105,000	121,000
d.	125,000	125,000	121,000

Fortune Products manufactures three joint products, JKA, JKB, JKC and a by-product JJD, all in a single process. Results for the month of July were as follows:

Materials used	10,000 kgs.	P24,000
Conversion cost		P28,000

No. of Kilos	Product	Sales value per kilo
4,000	JKA	P11.00
3,000	JKB	10.00
1,000	JKC	26.00
2,000	JJD	1.00

Revenue from by-product is credited to the sales account. Joint costs are apportioned on a relative sales value approach.

29. What was the cost per kilogram of JKA for the month?
    a. P5.72 c. P5.61
    b. P5.50 d. P5.20

The Wood Company produces 3 joint products at a joint cost of P100,000. Two of these products were processed further. Production and sales were

Product	Weight	Sales	Addt'l Processing Cost
A	300,000 lbs.	P245,000	P200,000
B	100,000 lbs.	30,000	None
C	100,000 lbs.	175,000	100,000

30. If the net realizable value method is used, how much of the joint costs would be allocated to product C? Assume that B is accounted for as a joint product.
    a. P38,889 c. P41,667
    b. P50,000 d. P62,500

31. Davao Company, a Philippine Corporation, bought inventory from a supplier in Japan on November 2,

2008 for 50,000 yen, when the spot rate was P.4245. On December 31, 2009, the spot rate was P.4295. On January 15, 2010, Davao bought 50,000 yen at a spot rate of P.4250 and paid the invoice. How much should Davao report in its income statements for (1) 2009 and (2) 2010 as foreign exchange gain or (loss)

a. (1) P250; (2) (P225) c. (1) P0; (2) (P225)
b. (1) (P250); (2) P225 d. (1) P0; (2) P220

On July 1, 2009, Luzon Corporation borrowed 1,680,000 yen from a Japanese Lender evidenced by an interest-bearing note due July 1, 2010. The Philippine Peso equivalent of the note principal was as follows:

July 1, 2009 - Date borrowed	P210,000
Dec. 31, 2009 - Luzon's year-end	240,000
July 1, 2010 - Date repaid	280,000

32. In its income statement for 2010, what amount should Luzon include as a foreign Exchange gain or loss?
a. P70,000 gain c. P40,000 gain
b. P70,000 loss d. P40,000 loss

The partnership of Hot, Tot, and Tay is liquidating and the ledger shows the following:

Cash	P 80,000
Inventories	100,000
Accounts payable	60,000
Hot, capital (50%)	40,000
Tot, capital (25%)	45,000
Tay, capital (25%)	35,000

33. If all cash available is distributed immediately:
a. Each partner gets P26,667
b. Each partner gets P6,667
c. Hot gets P10,000, Tot and Tay, P5,000 each
d. Tot gets P15,000 and Tay gets P5,000

The balance sheet for Chou, Enn, and Lai Partnership, who share profits and losses in the ratio of 50%, 25%, and 25%, respectively, shows the following balances just before liquidation.

Cash	P 24,000
Other assets	119,000
Liabilities	40,000
Chou, capital	44,000
Enn, capital	31,000
Lai, capital	28,000

On the first month of liquidation, certain assets are sold for P64,000. Liquidation expenses of P2,000 are paid, and additional liquidation expenses are anticipated. Liabilities are paid amounting to P10,800 and sufficient cash is retained to insure the payment to creditors before making payments to partners. On the first payment to partners, Chou receives P12,500.

34. Determine the amount of cash withheld for anticipated liquidation expenses.
a. P35,200 c. P29,200
b. P33,200 d. P 6,000

Mermaid Construction, Inc. entered into a construction agreement in the current year with the following projects at

	Pasig Site	Cainta Site
Contract price	P 10,500,000	P 7,500,000
Cost incurred to date	6,000,000	7,000,000
Estimated cost to complete	3,000,000	1,000,000
Billings during the year	7,000,000	1,000,000
Collections during the year	6,000,000	1,000,000

35. What amount of gross profit (loss) will appear in the current year income statement?

	Pasig Site	Cainta Site
a.	P 500,000	P500,000
b.	P1,000,000	P500,000
c.	P1,000,000	P(500,000)
d.	P 500,000	P 0

36. If the company will use the cost-recovery-method of construction accounting, what amount of gross profit will appear in the income statement for each location?

	Cainta Site	Pasig Site
a.	P(500,000)	P500,000
b.	P500,000	P(500,000)
c.	P 0	P500,000
d.	P(500,000)	P 0

On March 1, 2008, Rumble Construction Company was contracted to construct a factory building for a total contract price of P8,400,000. The building was completed by October 31, 2010. The annual contract costs incurred, estimated cost to complete the contract, and billings for 2008, 2009, and 2010 are given below:

	2008	2009	2010
Contract costs incurred during the year	P3,200,000	P2,600,000	P1,450,000
Estimated costs to complete the contract at 12/31	3,200,000	1,450,000	P 0
Billings during the year	3,200,000	3,500,000	P1,700,000

37. The entry to record the recognized profit in 2010 includes a credit t
a. Construction revenue, P1,680,000
b. Construction in progress, P230,000
c. Contract billings, P1,700,000
d. Construction in progress, P1,450,000

The Statement of Realization and Liquidation for NOMONEY Corporation. The totals are as follows:

Assets to be realized	P60,000	Liabilities assumed	P50,000
Assets acquired	40,000	Liabilities not liquidated	65,000
Assets realized	55,000	Supplementary credits	110,000
Liabilities to be liquidated	80,000		

Retained earnings decreased by P12,000. The ending balances of ordinary shares and retained earnings are P100,000 and P(75,000), respectively.

38. The beginning balance of cash is
a. P57,000 c. P65,000
b. P75,000 d. P56,000

The capital accounts of Van, Hou, and Ten are presented below with their respective profit and loss ratios.

Van Capital (50.00%)	P 139,000
Hou, capital (33.33%)	209,000
Ten, capital (16.67%)	96,000
100.00%	P444,000

Choko was admitted to the partnership when he purchased directly for P132,000 a proportionate interest from Van and Hou in the net assets and profits of the partnership. As a result, Choko acquired a onefifth interest in the net assets and profits of the firm. No revaluation of assets is to be recorded.

39. What is the combined gain realized by Van and Hou upon the sale of a portion of their interests in the partnership to Choko?

a. P 0	c. P43,20
b. P62,400	d. P82,000

Palpak Company has had severe financial difficulties and is considering the possibility of liquidation. At this time, the company has the following assets (stated at net realizable value) and liabilities:

Assets (pledged against debts of P70,000)	P 116,000
Assets (pledged against debts of P130,000)	50,000
Other assets	80,000
Liabilities with priority	42,000
Unsecured creditors	200,000

40. In the event of liquidation at this point, how much is the estimated amount recoverable by partially-secured creditors?

a. P130,000	c. P 50,000
b. P 74,000	d. P200,000

JR and his very close friend AJ formed a partnership on January 1, 2010. JR contributed P16,000 cqsh and AJ contributing equipment with a book value of P6,400 and a fair value of P4,800 plus inventory items with a book value of P2,400 and a fair value of P3,200. During 2010, JR made additional investment of P1,600 on April 1and P1,600 on June 1, and on September 1 he withdrew P4,000 from his capital balance. AJ had no additional investments nor capital withdrawals.

41. The average capital of JR for 2010 is

a. P16,000	c. P16,800
b. P 8,000	d. P 7,200

Peter and Paul formed a partnership on January 2, 2010 and agreed to share profits and losses at 90% and 10%, respectively. Peter invested cash of P250,000. Paul invested no assets but had a specialized expertise and managed the firm full time. The partnership contract provided for the following:

1. Partners' capital accounts are to be credited annually with interest at 5% of beginning capital
2. Paul is to be paid a salary of P10,000 a month.
3. Paul is to receive a bonus of 20% of income BEFORE deduction of salary, interest, and bonus.
4. Bonus, interest, and salary are considered as operating expenses of the partnership.

The income statement for 2010 for the partnership follows:

Revenues	P964,500
Operating expenses (including salary, interest, and bonus)	497,000
Net income	P467,500

42. Determine the capital balance of Peter at December 31, 2010

a. P683,250	c. P316,750
b. P670,750	d. P760,750

Jasmin Corporation began construction work in 2010 on a project with a contract price of P8,000,000. Jasmin uses the percentage of completion method. The financial statements for 2010 relating to the contract shows the following:

Accounts receivable	P 500,000
Construction in progress	1,600,000
Progress billings	1,500,000
Gross profit earned in 2010	200,000

43. Compute the following for the year 2010
   a. Cash collections, P1,000,000; costs incurred-to-date, P1,400,000
   b. Cash collections, P7,500,000; Costs incurred -to-date, P1,400,000
   c. Cash collections, P1,000,000; Costs incurred-to-date, P1,600,000
   d. Cash collections, P1,400,000; Costs incurred-to-date, P1,600,000

The partnership of Gary, Jerome and Paul was formed on January 1, 2010. The original investments were as follows

Gary	P 80,000
Jerome	120,000
Paul	180,000

According to the partnership agreement, net income or loss will be divided among the respective partners as follows:

Salaries of P12,000 for Gary, P10,000 for Jerome, and P8,000 for Paul.
Interest of 8% on the average capital balance during the year of Gary, Jerome and Paul
Remainder divided equally

Additional information is as follows:

Net income of the partnership for the year ended December 31, 2010 was P70,000.
Gary invested an additional P20,000 in the partnership on July 1, 2010.
Paul withdrew P30,000 from the partnership on October 1, 2010.
Gary, Jerome and Paul made regular drawings against their shares of net income during 2010 of P10,000 each.

44. The partner capital balances as of December 31, 2010 are:

	Gary	Jerome	Paul
a.	P112,333	P132,733	P164,934
b.	102,333	122,733	154,934
c.	92,000	102,000	134,934
d.	122,333	132,733	164,934

Red and White are partners who share profits and losses in the ratio of 6:4 respectively. On August 31, 2010, their capital accounts were as follows:

Red	P280,000
White	240,000

On that date, they agreed to admit Blue as a partner with a 1/3 interest in the capital, for an investment of P200,000.

45. Assuming goodwill is not to be recorded, what are the capital balances of the partners after the admission of Blue.
   a. Red,P240,000; White, P240,000; Blue, P200,000
   b. Red,P280,000; White, P240,000; Blue, P260,000
   c. Red,P256,000; White, P224,000; Blue, P240,000
   d. Red,P316,000; White, P252,000; Blue, P200,000

End of Examination

Thank you for participating in the 2011 National Mock CPA Board Examinations!