เฉลยแบบฝึกหัดวิชา การบัญชีชั้นสูง

<u>บางข้อไม่มีเฉลย   เพราะไม่ได้ให้มา</u>

<u>ขอให้นักศึกษาลองทำและตรวจสอบคำตอบกันเอง</u>

<u>เพื่อนพึ่งพายามยาก</u>

ขอให้โชคดี

<u>Problem 7-15</u>
Part A

PROUT COMPANY AND SUBSIDIARY
Consolidated Statements Workpaper
For the Year Ended December 31, 2008

	Prout Company	Sexton Company	Eliminations Debit	Eliminations Credit	Noncontrolling Interest	Consolidated Balances
Income Statement						
Sales	1,475,000	1,110,000				2,585,000
Equity in Subsidiary Income	116,000		(1) 116,000			
Total Revenue	1,591,000	1,110,000				2,585,000
Cost of Goods Sold	942,000	795,000				1,737,000
Income Tax Expense	187,200	90,000				277,200
Other Expenses	145,000	90,000		(3) 8,000		227,000
Total Cost & Expenses	1,274,200	975,000				2,241,200
Net /Consolidated Income	316,800	135,000				343,800
Noncontrolling Interest in Income					27,000 *	(27,000)
Net Income to Retained Earnings	316,800	135,000	116,000	8,000	27,000	316,800
Statement of Retained Earnings						
1/1 Retained Earnings						
Prout Company	1,380,000					1,380,000
Sexton Company		1,040,000	(4) 1,040,000			
Net Income from above	316,800	135,000	116,000	8,000	27,000	316,800
Dividends Declared						
Prout Company	(120,000)					(120,000)
Sexton Company		(100,000)		(1) 80,000	(20,000)	
12/31 Retained Earnings to Balance Sheet	1,576,800	1,075,000	1,156,000	88,000	7,000	1,576,800

Problem 7-15 (continued)

	Prout Company	Sexton Company	Eliminations Debit	Eliminations Credit	Noncontrolling Interest	Consolidated Balances
Balance Sheet						
Current Assets	568,000	271,000				839,000
Investment in Sexton Company	1,716,000		(2) 120,000	(1) 36,000		
				(3) 8,000		
				(4) 1,792,000		
Plant and Equipment	1,972,000	830,000	(2) 40,000			2,842,000
Accumulated Depreciation	(375,000)	(290,000)	(3) 16,000	(2) 160,000		(809,000)
Other Assets	1,000,800	1,600,000				2,600,800
Total Assets	4,881,800	2,411,000				5,472,800
Other Liabilities	305,000	136,000				441,000
Capital stock						
Prout Company	3,000,000					3,000,000
Sexton Company		1,200,000	(4) 1,200,000			
Retained Earnings from above	1,576,800	1,075,000	1,156,000	88,000	7,000	1,576,800
Noncontrolling Interest in Net Assets				(4) 448,000	448,000	
					455,000	455,000
Total Liabilities & Equity	4,881,800	2,411,000	2,532,000	2,532,000		5,472,800

* Noncontrolling interest in consolidated income = .20 × $135,000 = $27,000

Explanations of workpaper entries are on separate page.

Problem 7-15 (continued)

Schedule to calculate intercompany profit

Selling Price of Fixed Assets	$360,000
Book Value of Assets [$400,000 × (15/25)]	240,000
Gain recognized on intercompany sale	$120,000
Excess Annual Depreciation ($120,000/15)	$8,000

Intercompany Sale of Equipment

	Cost	Accumulated Depreciation	Carrying Value	Remaining Life	Depreciation
Original Cost	$ 400,000	$ 160,000	$ 240,000	15 yr	$ 16,000
Intercompany Selling Price	360,000	_______	360,000	15 yr	24,000
Difference	$ 40,000	$ 160,000	$ 120,000		$ 8,000

Explanation of workpaper entries (not required)

	Debit	Credit
(1) Equity in Subsidiary Income	116,000	
Dividends Declared (.80)($100,000)		80,000
Investment in Sexton Company		36,000
To reverse the effect of parent company entries during the year for subsidiary dividends and income		
(2) Property and Equipment ($400,000 - $360,000)	40,000	
Investment in Sexton Company	120,000	
Accumulated Depreciation		160,000
To reduce beginning consolidated retained earnings by amount of unrealized profit at the beginning of the year, and to restore the equipment to its book value on the date of intercompany sale		
(3) Accumulated Depreciation	16,000	
Depreciation Expense		8,000
Investment in Sexton Company		8,000
To reverse amount of excess depreciation recorded during current year and recognize an equivalent amount of intercompany profit as realized		
(4) Beginning Retained Earnings – Sexton	1,040,000	
Common Stocks – Sexton	1,200,000	
Investment in Sexton Company ($1,716,000 - $36,000 + $120,000 - $8,000)		1,792,000
Noncontrolling Interest [$400,000 + ($1,040,000 - $800,000) x .2]		448,000
To eliminate investment account and create noncontrolling interest account		

Part B

(1) Cash	300,000	
Accumulated Depreciation - Fixed Assets ($360,000/15 yrs. × 2 yrs.)	48,000	
Loss on Sale of Equipment	12,000	
Plant and Equipment		360,000
(2) Investment in Sexton Company	104,000	
Loss on Sale of Equipment		12,000
Gain on Sale of Equipment		92,000

Cost to the affiliated companies	$ 400,000
Accumulated depreciation based on original cost (12/25 × $400,000)	192,000
Book value to the affiliated companies on 1/1/09	208,000
Proceeds from sale to non-affiliate	(300,000)
Gain to affiliated companies on sale	$ 92,000

(3) No workpaper entries are necessary for 2010 and later years. As of December 31, 2009, the amount of profit recorded by the affiliates on their books [$120,000 - $12,000 = $108,000] is equal to the amount of profit considered realized in the consolidated financial statements [$8,000 + $8,000 + $92,000 = $108,000].

Part C The balances are the same as in Problem 7-4

Problem 7-16

Part A

PRATHER COMPANY AND SUBSIDIARY
Consolidated Statements Workpaper
For the Year Ended December 31, 2009

	Prather Company	Stone Company	Eliminations Debit	Eliminations Credit	Noncontrolling Interest	Consolidated Balances
Income Statement						
Sales	1,950,000	1,350,000				3,300,000
Equity in Subsidiary Income	252,000		(1) 252,000			
Total Revenue	2,202,000	1,350,000				3,300,000
Cost of Goods Sold	1,350,000	900,000				2,250,000
Other Expenses	225,000	150,000		(3) 15,000		360,000
Total Cost & Expenses	1,575,000	1,050,000				2,610,000
Net /Consolidated Income	627,000	300,000				690,000
Noncontrolling Interest in Income					63,000 *	(63,000)
Net Income to Retained Earnings	627,000	300,000	252,000	15,000	63,000	627,000
Statement of Retained Earnings						
1/1 Retained Earnings						
Prather Company	1,397,400					1,397,400
Stone Company		1,038,000	(5) 1,038,000			
Net Income from above	627,000	300,000	252,000	15,000	63,000	627,000
Dividends Declared						
Prather Company	(150,000)					(150,000)
Stone Company		(75,000)		(1) 60,000	(15,000)	
12/31 Retained Earnings to Balance Sheet	1,874,400	1,263,000	1,290,000	75,000	48,000	1,874,400

Problem 7-16 (continued)

Balance Sheet	Prather Company	Stone Company		Eliminations Debit		Eliminations Credit	Noncontrolling Interest	Consolidated Balances
Assets								
Inventory	498,000	225,000						723,000
Investment in Stone Company	1,334,400		(2)	120,000	(1)	192,000		
					(3)	12,000		
					(4)	1,250,400		
Plant and Equipment	2,168,100	2,625,000	(2)	390,000				5,183,100
Accumulated Depreciation	(900,000)	(612,000)	(3)	30,000	(2)	540,000		(2,022,000)
Total Assets	3,100,500	2,238,000						3,884,100
Liabilities	465,600	450,000						915,600
Capital Stock								
Prather Company	760,500							760,500
Stone Company		525,000	(4)	525,000				
Retained Earnings from above	1,874,400	1,263,000		1,290,000		75,000	48,000	1,874,400
1/1 Noncontrolling Interest in			(2)	30,000	(5)	312,600	285,600	
Net Assets					(3)	3,000		
12/31 Noncontrolling Interest in Net Assets							333,600	333,600
Total Liabilities and Equity	3,100,500	2,238,000		2,385,000		2,385,000		3,884,100

* Noncontrolling interest in consolidated income = .20 × ($300,000 + $15,000) = $63,000
Explanations of workpaper entries on separate page.

Intercompany Sale of Equipment

	Cost	Accumulated Depreciation	Carrying Value	Remaining Life	Depreciation
Original Cost	$1,350,000	$540,000	$810,000	10 yr	$81,000
Intercompany Selling Price	960,000	_______	960,000	10 yr	96,000
Difference	$ 390,000	$540,000	$150,000		$15,000

Explanations of workpaper entries (not required)

		Debit	Credit
(1)	Equity in Subsidiary Income	252,000	
	Dividends Declared (.80)($75,000)		60,000
	Investment in Stone Company		192,000
	To reverse the effect of parent company entries during the year for subsidiary dividends and income		
(2)	Plant and Equipment	390,000	
	Investment in Stone Company ($150,000)(.80)	120,000	
	Noncontrolling Interest ($150,000)(.20)	30,000	
	Accumulated Depreciation		540,000
	To reduce controlling and noncontrolling interests for their respective shares of unrealized intercompany profit at beginning of year, to restore the carrying value of equipment to its book value on the date of the intercompany sale		
(3)	Accumulated Depreciation	30,000	
	Other Expenses (Depreciation Expense)		15,000
	Investment in Stone Company ($15,000)(.8)		12,000
	Noncontrolling Interest ($15,000)(.2)		3,000
	To reverse amount of excess depreciation recorded during year and to recognize an equivalent amount of intercompany profit as realized		
(4)	Beginning Retained Earnings –Stone	1,038,000	
	Common Stock – Stone	525,000	
	Investment in Stone Company ($960,000 + $290,400*)		1,250,400
	Noncontrolling Interest [$240,000 + ($1,038,000 - $675,000) × .2]		312,600
	To eliminate investment account and create noncontrolling interest account		
	* (($1,263,000 - $675,000) × .8) - $180,000 = $290,400		

Part B. Calculation of Consolidated Retained Earnings

Prather Company's retained earnings on 12/31/09	$1,874,400
Consolidated retained earnings on 12/31/09	$1,874,400

Exercise 9-3

Part A

Cost of bond investment ($510,000 × .90)		$459,000
Par value	$850,000	
Unamortized premium ($42,500 × (8/10))	34,000	
Carrying value of bonds	884,000	
Percent of bonds purchased (510/850)	.60	
Carrying value of bonds purchased		530,400
Total constructive gain		$71,400

Part B

Fairfield Company		Weber Company	
Cost of bond investment	$459,000	Carrying value of bonds purchased	$530,400
Par value	510,000	Par value	510,000
Constructive gain	$ 51,000	Constructive gain	$ 20,400

Part C June 30 and December 31, 2009

Fairfield Company

Cash ($510,000 × .10 × $\frac{6}{12}$)	25,500	
Interest Income		25,500
Investment in Weber Company Bonds	6,375	
Interest Income		6,375
$51,000 / 8 periods = $6,375		

Weber Company

Interest Expense	42,500	
Cash ($850,000 × .10 × $\frac{6}{12}$)		42,500
Premium on Bonds	4,250	
Interest Expense		4,250
$34,000 / 8 periods = $4,250		

Part D

Note: We have provided solutions assuming the use of any of the three methods. Since the schedules start with the same reported income of Fairfield under all three methods, this results in three different consolidated net income numbers.

2008	Cost Method	Partial Equity Method	Complete Equity Method
Reported net income - Fairfield	$275,000	$275,000	$275,000
Less: Dividend income ($60,000 × .90)	54,000		
Less: Equity income ($190,000)(.90)		171,000	
Less: Adjusted Equity income (171,000+51,000 + .9(20,400))			240,360
Net income from independent operations – Fairfield	221,000	104,000	34,640
Add: Constructive gain on bond retirement	51,000	51,000	51,000

Fairfield's contribution to consolidated income		272,000	155,000	85,640
Reported net income - Weber	$190,000			
Add: Constructive gain on bond retirement	20,400			
Weber's contribution to consolidated income	210,400			
	× .90	189,360	189,360	189,360
Controlling interest in consolidated net income		$461,360	$344,360	$275,000
Noncontrolling interest in consolidated income ($210,400 × .10)		$21,040	$21,040	$21,040

2009

		Cost Method	Partial Equity Method	Complete Equity Method
Reported net income - Fairfield		$350,000	$350,000	$350,000
Less: Dividend income ($80,000 × .90)		72,000		
Less Equity income ($225,000)(.90)			202,500	
Less: Adjusted Equity income ($202,500 - $12,750 - (.9)5,100)				185,160
Net income from independent operations - Fairfield		278,000	147,500	164,840
Less: Constructive gain recorded*		12,750	12,750	12,750
Fairfield's contribution to consolidated income		265,250	134,750	152,090
Reported net income - Weber	$225,000			
Less: Constructive gain recorded**	5,100			
Weber's contribution to consolidated income	219,900			
	× .90	197,910	197,910	197,910
Controlling interest in consolidated net income		$463,160	$332,660	$350,000
Noncontrolling interest in consolidated income ($219,900 × .10)		$21,990	$21,990	$21,990

* $6,375 × 2 = $12,750 or $51,000/4 periods = $12,750

**$4,250 × .60 = $2,550; $2,550 × 2 = $5,100

Problem 9-9
Part A

Computation and Allocation of Difference between Implied and Book Value Acquired

	Parent Share	Non-Controlling Share	Entire Value
Purchase price and implied value	**$300,000**	**75,000**	375,000
Less: Bokk value of equity acquired:			
Common Stock	160,000	40,000	**200,000**
Other Contributed Capital	40,000	10,000	**50,000**
Retained Earnings	34,400	5,600	**43,000**[a]
Difference between implied and book value	65,600	16,400	**82,000**
Equipment	(10,000)	(2,500)	**(12,500)**
Inventories	(5,000)	(1,250)	**(6,250)**
Land	(5,000)	(1,250)	**(6,250)**
Balance	45,600	11,400	57,000
Goodwill	(45,600)	(11,400)	**(57,000)**
Balance	- 0 -	- 0 -	- 0 –

[a] Allocation of Retained Earnings:

Retained Earnings balance, date of purchase		$62,000
Allocation of Preferred Stock		
Call premium	$4,000	
Dividends in arrears	15,000	19,000
Allocation to common stock		$43,000

Problem 9-9 (continued)

Part B **Income Statement**	Parson Industries	Succo Company	Eliminations Dr.	Eliminations Cr	Noncon-trolling Interest	Consolidated Balances
Sales	404,000	300,000	(4) 100,000			604,000
Equity in Subsidiary Income	31,433		(7) 31,433			-
	435,433	300,000				604,000
Cost of Goods Sold	200,000	160,000	(5) 4,167	(4) 100,000		261,667
				(6) 2,500		
Operating Expenses	36,400	50,000	(3) 6,000			93,025
			(10) 625			
Income Taxes	40,200	27,000				67,200
Total Expenses	276,600	237,000				421,892
Net/Consolidated Income	158,833	63,000				182,108
Noncontrolling Interest in Cons. Income						
Preferred Stock ($15,000 X 1.00)					15,000	
Common Stock ($41,372 X .20)					8,275	(23,275)
Net Income to Retained Earnings	158,833	63,000	142,225	102,500	23,275	158,833
Retained Earnings Statement						
1/1 Retained Earnings -						
Parson Industries	192,000					192,000
Succo Company						
Preferred Stock		34,000			34,000	
Common Stock		73,000	(8) 73,000			
Net Income from above	158,833	63,000	142,225	102,500	23,275	158,833
Dividends Declared						
Parson Industries	(65,000)					(65,000)
Succo Company						
Preferred Stock		(45,000)			(45,000)	
Common Stock		(5,000)		(7) 4,000	(1,000)	
12/31 Retained Earnings to Balance Sheet	285,833	120,000	215,225	106,500	11,275	285,833

Problem 9-9 (continued)	Parson	Succo	Eliminations		Noncontrol.	Consolidated
Balance Sheet	Industries	Company	Dr.	Cr.	Interest	Balances
Cash and Receivables	396,800	205,000		(1) 10,000		591,800
Inventories	200,000	170,000		(5) 4,167		365,833
Land	300,000	120,000	(9) 6,250			426,250
Buildings and Equipment	697,000	245,000	(2) 50,000			1,004,500
			(9) 12,500			
Accumulated Depreciation	(100,000)	(70,000)		(2) 20,000		(204,000)
				(3) 9,000		
				(10) 5,000		
Investment in Succo Company	362,033			(7) 27,433		
			(3) 2,400	(8) 324,000		
			(6) 2,500			
			(9) 5,000	(2) 24,000		
			(10) 3,500			
Goodwill			(9) 57,000			57,000
Difference between Implied & Book Value			(8) 82,000	(9) 82,000		
Total Assets	1,855,833	670,000				2,241,383
Current Liabilities	370,000	100,000	(1) 10,000			460,000
Bonds Payable	400,000	100,000				500,000
Preferred Stock - Succo Company		100,000			100,000	
Common Stock						
Parson Industries, $10 par	600,000					600,000
Succo Company, $10 par		200,000	(8) 200,000			
Other Contributed Capital						
Parson Industries	200,000					200,000
Succo Company		50,000	(8) 50,000			
Retained Earnings from above	285,833	120,000	215,225	106,500	11,275	285,833
1/1 Noncontrolling Interest in Net Assets			(3) 600	(2) 6,000	84,275	
			(9) 1,250	(8) 81,000		
			(10) 875			
12/31 Noncontrolling Interest in Net Assets					195,550	195,550
Total Liabilities and Equity	1,855,833	670,000	699,100	699,100		2,241,383

Problem 9-9 (continued)

Explanations of workpaper entries

(1) Current Liabilities (accounts payable)	10,000	
Cash and Receivables (Accounts Receivables)		10,000
To eliminate intercompany receivable and payable.		
(2) Buildings and Equipment	50,000	
Investment in Succo Company ($30,000 × .80)		24,000
1/1 Noncontrolling Interest		6,000
Accumulated Depreciation		20,000
To eliminate unrealized loss on intercompany sale of equipment and to restate property and equipment at original cost to Succo Company		
(3) Investment in Succo Company ($3,000 × .80)	2,400	
1/1 Noncontrolling Interest	600	
Operating Expenses (Depreciation Expense)	6,000	
Accumulated Depreciation		9,000
To adjust depreciation recorded during the current and prior years.		
(4) Sales	100,000	
Cost of Goods Sold (Purchases)		100,000
To eliminate intercompany sales.		
(5) Cost of Goods Sold (Ending Inventory – Income Statement)	4,167	
Inventory (Balance Sheet) ($25,000 – ($25,000/1.20))		4,167
To eliminate unrealized intercompany profit in ending inventory.		
(6) Investment in Succo Company	2,500	
Cost of Goods Sold ($15,000 – ($15,000/1.20))		2,500
To recognize profit realized during the year.		
(7) Equity in Subsidiary Income	31,433	
Dividends Declared		4,000
Investment in Succo Company		27,433
To reverse the effect of parent company entries during the year for		

subsidiary dividend and income.

(8) 1/1 Retained Earnings – Succo- Common Stock	73,000	
Common Stock – Succos	20,000	
Other Contributed Capital – Succo	50,000	
Difference between Implied and Book Value	65,600	
Investment in Succo Company		324,000
Noncontrolling interest account [$75,000 + ($73,000 - $43,000) x .2]		81,000

To eliminate the investment account and create noncontrolling interest account.

(9) Buildings and Equipment	12,500	
Land	6,250	
Goodwill	57,000	
Investment in Succo Company	5,000	
Noncontrolling interest	1,250	
Difference between Implied and Book Value		82,000
To allocate the difference between implied and book value.		

(10) Investment in Succo Company ($625 x 7 x .8)	3,500	
Noncontrolling interest ($625 x 7 x .2)	875	
Operating Expense (depreciation)	625	
Accumulated Depreciation		5,000
To depreciate the difference between implied and book value.		

Supporting Computations:

(2)(3) Loss on sale of equipment - $80,000 - $50,000 = $30,000;
Loss recognized per year $6,000.
$\frac{1}{2} \times \$6,000 = \$3,000$ recognized last year

(5) $\frac{\$25,000}{1.20} = \$20,833$; gross profit $4,167

(6) $\frac{\$15,000}{1.20} = \$12,500$; gross profit $2,500

(9), (10) Allocation of difference

		2001	2002-07	2008	Unamortized
Equipment	$12,500/20	$625	$3,750	$625	$7,500
Inventories	6,250	6,250			---
Land	6,250	---			6,250
Goodwill	57,000				57,000
Total	$82,000	$6,875	$3,750	$625	$70,750

Part C	Reported net income - Parson Industries		$131,400
	Less: Dividend income		4,000
			127,400
	Add: Realized gross profit in beginning inventory		2,500
	Less: Unrealized gross profit in ending inventory		(4,167)
	Parson's contribution to consolidated income		125,733
	Reported net income - Succo Company	$63,000	
	Less: Amortization of difference	(625)	
	Less: Recorded loss on upstream sale of fixed asset	(6,000)	
	Succo Company's realized reported income	56,375	
	Less: Net income allocated to preferred stockholders	15,000	
	Net income allocated to common stockholders	41,375	
	Parson Industries' interest	× .80	33,100
	Controlling interest in consolidated net income		$158,833

Problem 12-2

Part A	Dec	1	Purchases	26,565	
			Accounts Payable (210,000 × $.1265)		26,565
		1	FC Receivable from Exchange Dealer	27,594	
			Dollars Payable to Exchange Dealer		27,594
			(210,000 × $.1314 = $27,594)		
	Dec.	29	Accounts Receivable (120,000 × $.1240)	14,880	
			Sales		14,880
		31	Accounts Payable	126	
			Transaction Gain [(210,000 × $.1259) = $26,439 - $26,565]		126
		31	Transaction Loss	126	
			FC Receivable from Exchange Dealer		126
			[(210,000 × $.1308 = $27,468) - $27,594]		

31	Accounts Receivable	228	
	Transaction Gain [(120,000 × $.1259)= $15,108 - $14,880]		228
Apr. 1	Cash (120,000 × .1430)	17,160	
	Accounts Receivable		15,108
	Transaction Gain		2,052
1	Transaction Loss	3,591	
	Accounts Payable [(210,000 × $.1430) = $30,030) - $26,439]		3,591
1	FC Receivable from Exchange Dealer	2,562	
	Transaction Gain [(210,000 × $.1430) = $30,030 - $27,468]		2,562
1	Investment in FC	30,030	
	Dollars Payable to Exchange Dealer	27,594	
	Cash		27,594
	FC Receivable from Exchange Dealer		30,030
1	Accounts Payable	30,030	
	Investment in Foreign Currency		30,030

Part B The aggregate transaction gain of $228 ($126 - $126 + $228) is included in the firm's income statement as part of continuing operations.

Problem 12-4

Sept. 1	Accounts Receivable	2,442,000	
	Sales (16,500,000 × $.1480)		2,442,000
1	Dollars Receivable from Exchange Dealer	2,379,300	
	FC Payable to Exchange Dealer (16,500,000 × $.1442 = $2,379,300)		**2,379,300**

5	Accounts Receivable (In $)	5,300,000	
	Sales		5,300,000
15	Purchases (20,000,000 × $.006430)	128,600	
	Accounts Payable		128,600
15	FC Receivable from Exchange Dealer	129,800	
	Dollars Payable to Exchange Dealer		129,800
	(20,000,000 × $.006490 = $129,800)		
18	Accounts Receivable	39,576	
	Sales (48,000 × $.8245)		39,576
30	Transaction Loss	41,320	
	Accounts Receivable		41,260
	Accounts Payable		60

	Book Value		Transaction
Transaction Date	Initial	Sept. 30	Gain (Loss)
Accounts Receivable			
Sept. 1	$2,442,000	$2,400,750 (a)	(41,250)
5	**Denominated in dollars**		
18	39,576	39,566 (b)	(10) Not hedged
Accounts Payable			
15	128,600	128,660 (c)	(60)
Transaction gain (loss)			(41,320)

(a) 16,500,000 × $.1455 = $2,400,750
(b) 48,000 × $.8243 = 39,566
(c) 20,000,000 × $.006433 = 128,660

FC Payable to Exchange Dealer	**41,250**	
FC Receivable from Exchange Dealer	60	
Transaction Gain		41,310

Oct.	15	Transaction Loss	40	
		Accounts Payable [(20,000,000 × $.006435) = $128,700 - $128,660]		40
		FC Receivable from Exchange Dealer	**40**	
		Transaction Gain		40
	15	Investment in FC (20,000,000 × $.006435)	128,700	
		Dollars Payable to Exchange Dealer	129,800	
		Cash (20,000,000 × $.006490)		129,800
		FC Receivable from Exchange Dealer		128,700
	15	Accounts Payable	128,700	
		Investment in FC		128,700
	30	Accounts Receivable	3,300	
		Transaction Gain [(16,500,000 × $.1457)= $2,404,050)- $2,400,750]		3,300
	30	Transaction Loss	3,300	
		FC Payable to Exchange Dealer		3,300
	30	Investment in FC (16,500,000 × $.1457)	2,404,050	
		Accounts Receivable		2,404,050
	30	FC Payable to Exchange Dealer	2,404,050	
		Cash (16,500,000 × $.1442)	2,379,300	
		Investment in FC		2,404,050
		Dollars Receivable from Exchange Dealer		2,379,300
Nov.	5	Cash	5,300,000	
		Accounts Receivable (In $)		5,300,000

Problem 12-9

Dec. 1	Dollars Receivable from Exchange Dealer (200,000 × $1.02)	204,000	
	FC Payable to Exchange Dealer		204,000
Dec. 31	FC Payable to Exchange Dealer	4,000	
	Foreign Exchange Gain – Other Comprehensive Income		4,000
	[(200,000 × ($1.02- $1.00)]		
Jan. 31	FC Payable to Exchange Dealer	2,000	
	Foreign Exchange Gain – Other Comprehensive Income		2,000
	[(200,000 × ($1.00 - $0.99)]		
	Investment in FC	198,000	
	Sales (200,000 × $0.99)		198,000
	Cost of Goods Sold (cost of equipment sold)	170,000	
	Inventory		170,000
	Foreign Exchange Gain – Other Comprehensive Income ($4,000 + $2,000)	6,000	
	Cost of Goods Sold		6,000
	To reclassify other comprehensive income into earnings		

Problem 13-3

Part A **Consolidated Statement of Income and Retained Earnings**

	Francs	Translation Rate	U.S.$
Sales	3,775,000	$.176	664,400
Cost of Goods Sold	2,312,500	.176	407,000
Depreciation Expense	125,000	.176	22,000
Other Expense	818,750	.176	144,100
Income Tax Expense	102,500	.176	18,040
Net Income	416,250		73,260
Retained Earnings - 1/1	513,000	Given	75,948
	929,250		149,208
Less: Dividends Declared	375,000	.18	67,500
Retained Earnings - 12/31	554,250		81,708

Problem 13-3 (continued)

Balance Sheet			
Cash	962,500	$.19	182,875
Accounts Receivable	660,000	.19	125,400
Inventories	1,037,500	.19	197,125
Land	500,000	.19	95,000
Buildings (net)	550,000	.19	104,500
Equipment (net)	405,000	.19	76,950
	4,115,000		781,850
Accounts Payable	800,000	.19	152,000
Short-term Notes Payable	650,750	.19	123,643
Bonds Payable	850,000	.19	161,500
Common Stock	960,000	.15	144,000
Additional Paid-in Capital	300,000	.15	45,000
Retained Earnings	554,250		81,708
Cumulative Translation Adjustment (Credit)	---		73,999
	4,115,000		781,850

Part B Verification of the Translation Adjustment

	Francs	Translation Rate	U.S.$
Exposed net asset position - 1/1	1,773,000*	$.17	301,410
Adjustments for changes in net asset position during the year:			
Net income for the year	416,250	.176	73,260
Dividends declared	(375,000)	.18	(67,500)
Net asset position translated using rate in effect at date of transaction	---		307,170
Exposed net asset position - 12/31	1,814,250	.19	344,708
Change in cumulative translation adjustment during the year - net increase			37,538
Cumulative translation adjustment - 1/1 (Given)			36,462
Cumulative translation adjustment - 12/31 (Credit balance)			74,000**

** Difference of $1.00 ($74,000 compared to $73,999) due to rounding.

*Common stock	960,000
Additional paid-in capital	300,000
Retained earnings	513,000
	1,773,000

Problem 13-5

			Canadian $	Translation Rate	U.S.$
Part A	(1)	Equipment:			
		Drill press	30,000	$.8430	25,290
		Stamping press	80,000	.7360	58,880
		Fork lift	42,000	.6998	29,392
		Total	152,000		113,562
		Accumulated depreciation:			
		Drill press (30,000/5 × 4)	24,000	.8430	20,232
		Stamping press (80,000/4 × 3)	60,000	.7360	44,160
		Fork lift (42,000/6)	7,000	.6998	4,899
		Total	91,000		69,291
		Equipment			113,562
		Less: Accumulated depreciation			69,291
		Net			44,271
	(2)	Ending inventory	60,000	.6845	41,070
	(3)	Marketable securities	30,000	.9320	27,960
Part B		Depreciation expense:			
		Drill press	6,000	$.8430	5,058
		Stamping press	20,000	.7360	14,720
		Fork lift	7,000	.6998	4,899
		Total depreciation			24,677
		Beginning inventory	60,000	.7322	43,932
		Purchases	400,000	.7140	285,600
		Goods available for sale	460,000		329,532
		Ending inventory	60,000	.6845	41,070
		Cost of goods sold	400,000		288,462

Problem 13-5 (continued)

		Canadian $	Translation Rate	U.S.$
Part C	(1) Equipment:			
	Drill press	30,000		
	Stamping press	80,000		
	Fork lift	42,000		
	Total	152,000	$.6960	105,792
	Accumulated depreciation:			
	Drill press	24,000		
	Stamping press	60,000		
	Fork lift	7,000		
	Total	91,000	.6960	63,336
	Net			42,456
	(2) Inventory	60,000	.6960	41,760
	(3) Marketable securities	30,000	.6960	20,880
	(4) Depreciation expense:			
	Drill press	6,000		
	Stamping press	20,000		
	Fork lift	7,000		
	Total depreciation	33,000	.7140	23,562
	(5) Beginning inventory	60,000		
	Purchases	400,000		
	Goods available for sale	460,000		
	Ending inventory	60,000		
	Cost of goods sold	400,000	.7140	285,600

Part D

	Current Rate Method	Temporal Method	Difference: Effect on Income
Depreciation expense	$ 23,562	$ 24,677	$ 1,115
Cost of goods sold	285,600	288,462	2,862
Total	$309,162	$313,139	$ 3,977
		309,162	
Difference		$ 3,977	

Net income is increased under the current rate method because depreciation expense and cost of goods sold are translated using the average rate for 2004 which is lower than the historical rates used under the temporal method. Therefore, expenses in dollars are smaller under the current rate method.

Dec. 17	**Cash (48,000 × $.8250)**	**39,600**	
	Transaction Gain		34
	Accounts Receivable ($39,576 - $10)		39,566