

東吳大學 104 學年度碩士班研究生招生考試試題

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系級	會計學系碩士班	考試時間	100 分鐘
科目	中級會計學	本科總分	100 分

※請標明題號後，依序作答於答案卷上。

The answer for all entries, please write in English.

A. MULTIPLE CHOICE QUESTIONS (10%)

Please fill your answers in the following form.

1.	2.	3.	4.	5.
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1. What is the objective of general-purpose financial reporting?
 - a. to provide financial information about the reporting entity that is useful to present and potential equity investors, lenders, and other creditors in making decisions in their capacity as capital providers.
 - b. to provide companies with the option to select information that favors one set of interested parties over another.
 - c. to provide users with financial information that implies total freedom from error.
 - d. to provide a metric for financial information used to determine when the boundary between two or more entities should be disregarded and the entities considered to be a licensing arrangement.

2. Which of the following statements is **false**?
 - a. Companies can prepare the income statement and the statement of financial position directly from the adjusted trial balance.
 - b. Companies can prepare the statement of cash flows directly from the adjusted trial balance.
 - c. The adjusted trial balance proves the equality of total debits and total credits after all adjustments.
 - d. Each adjusting entry affects one statement of financial position account and one income statement account.

3. The accountant for the Lintz Sales Company is preparing the income statement for 2015 and the statement of financial position at December 31, 2015. The January 1, 2015, merchandise inventory balance will appear
 - a. only as an asset on the statement of financial position.
 - b. only in the cost of goods sold section of the income statement.
 - c. as a deduction in the cost of goods sold section of the income statement and as a current asset on the statement of financial position.
 - d. as an addition in the cost of goods sold section of the income statement and as a current asset on the statement of financial position.

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4. Which of the following statements is **incorrect** when a company chooses the fair value option for its receivables?
- Receivables are recorded at fair value in the statement of financial position.
 - Unrealized holding gains and losses from fair value adjustments are reported as a component of comprehensive income.
 - The International Accounting Standards Board believes that fair value measurement for financial instruments provides more relevant and understandable information than historical cost.
 - An unrealized holding gain or loss is the net change in the fair value of the receivable from one period to another, exclusive of interest revenue recognized but not recorded.
5. A liability for compensated absences such as vacations, for which it is expected that employees will be paid, should
- be accrued during the period when the compensated time is expected to be used by employees.
 - be accrued during the period following vesting.
 - be accrued during the period when earned.
 - not be accrued unless a written contractual obligation exists.

B. Grier & Associates maintains its records on the cash basis. You have been engaged to convert its cash basis income statement to the accrual basis. The cash basis income statement, along with additional information, follows:

Grier & Associates
Income Statement (Cash Basis)
For the Year Ended December 31, 2015

Cash receipts from customers		HK\$450,000
Cash payments:		
Salaries and wages	HK\$150,000	
Taxes	75,000	
Insurance	40,000	
Interest	<u>25,000</u>	<u>290,000</u>
Net income		HK\$ <u>160,000</u>

Additional information:

	Balances at 12/31	
	2015	2014
Accounts receivable	HK\$50,000	HK\$40,000
Salaries and wages payable	10,000	20,000

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Taxes payable	14,000	19,000
Prepaid insurance	8,000	4,000
Accumulated depreciation	90,000	75,000
Interest payable	3,000	9,000

No plant assets were sold during 2015.

Instructions: Compute the amount of net income under accrual basis for 2015. (5%)

C. Wang Corporation's capital structure consists of 40,000 ordinary shares. At December 31, 2015 an analysis of the accounts and discussions with company officials revealed the following information:

Sales		¥1,050,000
Purchase discounts		18,000
Purchases		642,000
Loss on discontinued operations (net of tax)		28,000
Selling expenses		128,000
Cash		60,000
Accounts receivable		90,000
Share capital		200,000
Accumulated depreciation		180,000
Dividend revenue		8,000
Inventory, January 1, 2015		152,000
Inventory, December 31, 2015		125,000
Unearned service revenue		4,400
Accrued interest payable		1,000
Land		370,000
Patents		100,000
Retained earnings, January 1, 2015		290,000
Interest expense		17,000
General and administrative expenses		150,000
Dividends declared		29,000
Allowance for doubtful accounts		5,000
Notes payable (maturity 7/1/18)		200,000
Machinery and equipment		450,000
Materials and supplies		40,000
Accounts payable		60,000

The amount of income taxes applicable to ordinary income was ¥33,600, excluding the tax effect of the discontinued operations loss which amounted to ¥12,000.

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Instructions: Compute the following amounts on the income statement and retained earnings statement for 2015: (5%)

- (a) gross profit
- (b) income from operations
- (c) income from continuing operations
- (d) net income
- (e) retained earnings, December 31, 2015

D. Salen Company finances some of its current operations by assigning accounts receivable to a finance company. On July 1, 2015, it assigned, under guarantee, specific accounts amounting to \$150,000. The finance company advanced to Salen 80% of the accounts assigned (20% of the total to be withheld until the finance company has made its full recovery), less a finance charge of 1/2 % of the total accounts assigned.

On July 31 Salen Company received a statement that the finance company had collected \$80,000 of these accounts and had made an additional charge of 1/2% of the total accounts outstanding as of July 31. This charge is to be deducted at the time of the first remittance due Salen Company from the finance company. (*Hint:* Make entries at this time.) On August 31, 2015, Salen Company received a second statement from the finance company, together with a check for the amount due. The statement indicated that the finance company had collected an additional \$50,000 and had made a further charge of 1/2% of the balance outstanding as of August 31.

Instructions: Make the entry on the book of Salen Company on **August 31, 2015** that is involved in the transactions above. (5%)

E. Reed Mangus purchased the Hillside Vineyard at an estate auction in April 2015 for €1,250,000. The purchase was risky because the growing season was coming to an end, the grapes must be harvested in the next several weeks, and Reed has limited experience in carrying off a grape harvest.

At the end of the first quarter of operations, Reed is feeling pretty good about his early results. The first harvest was a success; 500 bushels of grapes were harvested with a value of €50,000 (based on current local commodity prices at the time of harvest). And, given the strong yield from area vineyards during this season, the net realizable value of Reed's vineyard has increased by €25,000 at the end of the quarter. After storing the grapes for a short period of time, Reed was able to sell the entire harvest for €60,000.

Instructions: Determine the total effect on income for the quarter related to the Hillside biological asset and agricultural produce. (5%)

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F. Presented below is information related to Carpenter Inc.

	<u>Cost</u>	<u>Retail</u>
Inventory, 12/31/14	\$375,000	\$ 550,000
Purchases	1,369,000	2,050,000
Purchase returns	90,000	120,000
Purchase discounts	27,000	-
Gross sales (after employee discounts)	-	2,110,000
Sales returns	-	145,000
Markups	-	180,000
Markup cancellations	-	60,000
Markdowns	-	65,000
Markdown cancellations		30,000
Freight-in	63,000	-
Employee discounts granted	-	12,000
Loss from breakage (normal)	-	8,000

Instructions: Assuming that carpenter Inc. uses the conventional retail inventory method, compute the cost of its ending inventory at December 31, 2015. (5%)

G. Gibbs Manufacturing Co. was incorporated on 1/2/15 but was unable to begin manufacturing activities until 8/1/15 because new factory facilities were not completed until that date. The Land and Building account at 12/31/15 per the books was as follows:

<u>Date</u>	<u>Item</u>	<u>Amount</u>
1/31/15	Land and dilapidated building	\$200,000
2/28/15	Cost of removing building	4,000
4/1/15	Legal fees	6,000
5/1/15	Fire insurance premium payment	5,400
5/1/15	Special tax assessment for streets	4,500
5/1/15	Partial payment of new building construction	150,000
8/1/15	Final payment on building construction	150,000
8/1/15	General expenses	30,000
12/31/15	Asset write-up	75,000
		<u>\$624,900</u>

Additional information:

- To acquire the land and building on 1/31/15, the company paid \$100,000 cash and 1,000 ordinary shares of its (par value = \$100/share) which is very actively traded and had a market price per share

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of \$170.

2. When the old building was removed, Gibbs paid Kwik Demolition Co. \$4,000, but also received \$1,500 from the sale of salvaged material.

3. Legal fees covered the following:

Cost of organization	\$2,500
Examination of title covering purchase of land	2,000
Legal work in connection with the building construction	<u>1,500</u>
	<u>\$6,000</u>

4. The fire insurance premium covered premiums for a three-year term beginning May 1, 2015.

5. General expenses covered the following for the period 1/2/15 to 8/1/15.

President's salary	\$20,000
Plant superintendent covering supervision of new building	<u>10,000</u>
	<u>\$30,000</u>

6. Because of the rising land costs, the president was sure that the land was worth at least \$75,000 more than what it cost the company.

Instructions: Determine the proper balances as of 12/31/15 for a separate land account and a separate building account. Use separate T-accounts (one for land and one for building) labeling all the relevant amounts and disclosing all computations. (6%)

H. Early in 2015, Dobbs Corporation engaged Kiner, Inc. to design and construct a complete modernization of Dobbs's manufacturing facility. Construction was begun on June 1, 2015 and was completed on December 31, 2015. Dobbs made the following payments to Kiner, Inc. during 2015:

<u>Date</u>	<u>Payment</u>
June 1, 2015	\$3,600,000
August 31, 2015	5,400,000
December 31, 2015	4,500,000

In order to help finance the construction, Dobbs issued the following during 2015:

1. \$3,000,000 of 10-year, 9% bonds payable, issued at par on May 31, 2015, with interest payable annually on May 31.
2. 1,000,000 shares of no-par ordinary shares, issued at \$10 per share on October 1, 2015.

In addition to the 9% bonds payable, the only debt outstanding during 2015 was a \$750,000, 12% note payable dated January 1, 2011 and due January 1, 2021, with interest payable annually on January 1.

Instructions: Compute the amount of interest cost to be capitalized during 2015. (show computations) (5%)

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I. Sizemore Company owns land that it purchased at a cost of \$600,000 in 2013. The company chooses to use revaluation accounting to account for the land. The land's value fluctuate as follows (all amounts as of December 31): 2013, \$675,000; 2014, \$540,000; 2015, \$580,000; and 2016, \$615,000.

Instructions: Prepare the journal entries to record the revaluation of the land in 2016. (5%)

J. On May 31, 2015, Armstrong Company paid \$3,400,000 to acquire all of the common stock of Hall Corporation, which became a division of Armstrong. Hall reported the following statement of financial position at the time of the acquisition:

Non-current assets \$ 2,700,000		Equity \$ 2,500,000
Current assets <u>900,000</u>		Non-current liabilities 500,000
		Current liabilities <u>600,000</u>
Total assets <u>\$ 3,600,000</u>		Total equity and liabilities <u>\$ 3,600,000</u>

It was determined at the date of the purchase that the fair value of the identifiable net assets of Hall was \$2,800,000. At December 31, 2015, Hall reports the following statement of financial position information:

Current assets	\$ 800,000
Non-current assets (including goodwill recognized in purchase)	2,400,000
Current liabilities	(700,000)
Non-current liabilities	<u>(500,000)</u>
Net assets	<u>\$ 2,000,000</u>

It is determined that the recoverable amount value of the Hall division is \$1,800,000.

Instructions: Compute the account balance of Goodwill on December 31, 2015. (5%)

K. Miley Equipment Company sells computers for \$1,500 each and also gives each customer a 2-year warranty that requires the company to perform periodic services and to replace defective parts. During 2014, the company sold 700 computers. Based on past experience, the company has estimated the total 2-year warranty costs as \$30 for parts and \$60 for labor. (Assume sales all occur at December 31, 2014.)

In 2015, Miley incurred actual warranty costs relative to 2014 computer sales of \$10,000 for parts and \$18,000 for labor.

Instructions: Under an assurance-type *warranty*, what balance under current liabilities in the 2014 statement of financial position? (5%)

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L. Halvor Corporation is having financial difficulty and therefore has asked Manhattan National Bank to restructure its \$3 million note outstanding. The present note has 3 years remaining and pays a current rate of interest of 10%. The present market rate for a loan of this nature is 12%. The note was issued at its face value.

Manhattan National Bank agrees to accept land in exchange for relinquishing its claim on this note. The land has a book value of \$1,950,000 and a fair value of \$2,400,000.

Instructions: Prepare the journal entry that Halvor would make for this restructuring. (5%)

M. Rensing, Inc., has \$800,000 of 8% preference shares and \$1,200,000 of ordinary shares outstanding, each having a par value of \$10 per share. No dividends have been paid or declared during 2009 and 2010. As of December 31, 2011, it is desired to distribute \$488,000 in dividends.

Instructions: How much will the ordinary shareholders receive under each of the following assumptions: (8%)

- (a) The preference is noncumulative and nonparticipating.
- (b) The preference is cumulative and nonparticipating.
- (c) The preference is cumulative and fully participating.
- (d) The preference is cumulative and participating to 12% total.

N. Colson Corp. had \$500,000 net income in 2011. On January 1, 2011 there were 200,000 ordinary shares outstanding. On April 1, 20,000 shares were issued and on September 1, Adcock bought 30,000 treasury shares. There are 30,000 options to buy ordinary shares at \$40 a share outstanding. The market price of the ordinary shares averaged \$50 during 2011. The tax rate is 40%.

During 2011, there were 40,000 shares of convertible preference shares outstanding. The preference is \$100 par, pays \$3.50 a year dividend, and is convertible into three ordinary shares.

Colson issued \$2,000,000 of 8% convertible bonds at face value during 2010. Each \$1,000 bond is convertible into 30 ordinary shares.

Instructions: Compute diluted earnings per share for 2011. Show all computations. (5%)

O. Appliance Center is an experienced home appliance dealer. Appliance Center also offers a number of services together with the home appliances that it sells. Assume that Appliance Center sells refrigerators on a standalone basis. Appliance Center also sells delivery services and maintenance services for refrigerators. Pricing for refrigerators is as follows.

Refrigerator only	\$1,200
Refrigerator with delivery service	1,275
Refrigerator with maintenance services	1,450
Refrigerator with delivery and maintenance services	1,500

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In each instance in which maintenance services are provided, the maintenance service is separately priced within the arrangement at \$250. Refrigerators are sold subject to a general right of return. If a customer purchases refrigerator with delivery and/or maintenance services, in the event Appliance Center does not complete the service satisfactorily, the customer is only entitled to refund of the portion of the fee that exceeds \$1,200. On December 1, 2011 a customer purchases a refrigerator with both installation and maintenance services for \$1,500. Based on its experience, Appliance Center believes that it is probable that the delivery of the refrigerator will be performed satisfactorily to the customer. Assume that the maintenance services are priced separately.

Instructions: Prepare the necessary journal entry on December 1, 2011. (5%)

- P.** Farmer Inc. began business on January 1, 2010. Its pretax financial income for the first 2 years was as follows:

2010	\$240,000
2011	560,000

The following items caused the only differences between pretax financial income and taxable income.

1. In 2010, the company collected \$180,000 of rent; of this amount, \$60,000 was earned in 2010; the other \$120,000 will be earned equally over the 2011–2012 period. The full \$180,000 was included in taxable income in 2010.
2. In 2011, the company paid a \$10,000 fine for pollution.
3. In 2011, the company terminated a top executive and agreed to \$90,000 of severance pay. The amount will be paid \$30,000 per year for 2011–2013. The 2011 payment was made. The \$90,000 was expensed in 2011. For tax purposes, the severance pay is deductible as it is paid.

The enacted tax rates existing at December 31, 2010 are:

2010	30%	2012	40%
2011	35%	2013	40%

Instructions: Prepare the journal entry to record income taxes for 2011. (5%)

- Q.** Presented below is information related to the pension plan of Zimmer Inc. for the year 2011.

1. The service cost related to pension expense is \$240,000 using the defined benefits approach.
2. The defined benefit obligation at the beginning of the year is \$300,000. The expected return on plan assets is 9% and the discount rate is 10%.
3. The unrecognized past service cost at the beginning of the year is \$140,000. The company has a workforce of 200 employees, all who are expected to receive benefits under the plan. The average remaining service life per employee is 5 years.

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4. At the beginning of the period, fair value of pension plan assets, \$280,000. The company had a unrecognized net loss at the beginning of the period of \$90,000. Any amortization of the unrecognized net loss is recognized on a straight-line basis over the average remaining service-life of the employees.

5. The contribution made to the pension fund in 2011 was \$231,000.

Instructions: Prepare the journal entry(ies) to record pension expense for 2011. (Round all computations to nearest dollar.) (6%)

R. Krause Company on January 1, 2011, enters into a five-year noncancelable lease, with four renewal options of one year each, for equipment having an estimated useful life of 10 years and a fair value to the lessor, Daly Corp., at the inception of the lease of \$3,000,000. Krause's incremental borrowing rate is 8%. Krause uses the straight-line method to depreciate its assets. The lease contains the following provisions:

1. Rental payments of \$219,000 including \$19,000 for property taxes, payable at the beginning of each six-month period.
2. A termination penalty assuring renewal of the lease for a period of four years after expiration of the initial lease term.
3. An option allowing the lessor to extend the lease one year beyond the last renewal exercised by the lessee.
4. A guarantee by Krause Company that Daly Corp. will realize \$100,000 from selling the asset at the expiration of the lease. However, the actual residual value is expected to be \$60,000.

Instructions: Compute the amount of depreciation expense on Dec.31, 2011. (PV factor for annuity due of 20 semi-annual payments at 8% annual rate, 14.13394; PV factor for amount due in 20 interest periods at 8% annual rate, .45639.) (Round to nearest dollar for the present value of the minimum lease payments) (5%)

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