東吳大學108學年度暑假轉學生招生考試試題

系級	會計學系三年級	考試時間	100 分鐘
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注意事項：
1. 答案請寫在所附的「招生考試答案卷」上，試題上作答不計分。
2. 英文題請用英文作答，否則不予計分。

一、 Multiple choice , circle the one best answer. (30%)

1. During 2017, Vanpelt Co. introduced a new line of machines that carry a three-year warranty against manufacturer's defects. Based on industry experience, warranty costs are estimated at 2% of sales in the year of sale, 4% in the year after sale, and 6% in the second year after sale. Sales and actual warranty expenditures for the first three-year period were as follows:

	Sales	Actual Warranty Expenditures
2017	$ 600,000	$ 9,000
2018	1,500,000	50,000
2019	2,100,000	135,000
	$4,200,000	$194,000

What amount should Vanpelt report as a liability at December 31, 2019?
a. $0　b. $15,000　c. $204,000　d. $310,000

2.Sun Inc. factors $1,500,000 of its accounts receivables without guarantee (recourse) for a finance charge of 3%. The finance company retains an amount equal to 10% of the accounts receivable for possible adjustments. What would be recorded by Sun as a gain (loss) on the transfer of receivables?
a. Loss of $45,000　b. Gain of $45,000　c. Loss of $105,000　d. Loss of $200,000

3.On January 1, 2019, Lorry Manufacturing Company purchased equipment from Wales Inc. There was no established market price for the equipment which has an 7 year life and no salvage value. Lorry gave Wales a $105,000 zero-interest-bearing note payable in 3 equal annual installments of $35,000, with the first payment due December 31, 2019. The prevailing rate of interest for a note of this type is 8%. The present value of the note at 8% was $90,199. Assuming that Lorry uses the straight-line method of depreciation, what amounts will be reported in the company's 2019 income statement for interest expense and depreciation expense for the note and equipment?
a. $7,216; $12,886　b. $7,216; $30,066　c. $8,400; $13,125　d. $1,750; $8,750

4.On January 1, 2018, the board of directors of Goby Ltd declared a $580,000 dividend. The following data are from the statement of financial position of Goby on that date:

Ordinary share capital	$500,000
Ordinary share premium	300,000
Retained earnings	440,000
Share premium from sale of treasury shares	50,000

How much is the liquidating dividend?
a. $140,000　b. $240,000　c. $290,000　d. None of the above is correct.

5. Which of the following is not true concerning the revenue recognition principle?
a. recognize revenue in the accounting period when the performance obligation is satisfied.
b. asset-liability approach as the basis for revenue recognition.
c. measures revenue based on changes in assets and liabilities.
d. revenue should be recognized when both of the revenue has been earned and realized.

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6.On January 2, 2018, Gold Star Leasing Company leases equipment to Brick Co. with 5 equal annual payments of $160,000 each, payable beginning January 2, 2018. Brick Co. agrees to guarantee the $150,000 residual value of the asset at the end of the lease term. The expected value of the residual value is $70,000. Brick's incremental borrowing rate is 10%, however it knows that Gold Star's implicit interest rate is 8%. What journal entry would Brick Co. make at January 2, 2018 to record the lease?

	PV Annuity Due	PV Ordinary Annuity	PV Single Sum
8%, 5 periods	4.31213	3.99271	.68508
10%, 5 periods	4.16986	3.79079	.62092

a.

Right-of-Use Asset	598,449	
Lease Liability		598,449

b.

Right-of-Use Asset	744,747	
Cash		160,000
Lease Liability		584,747

c.

Right-of-Use Asset	689,940	
Cash		160,000
Lease Liability		529,940

d.

Right-of-Use Asset	707,342	
Cash		160,000
Lease Liability		547,342

7.On January 1, 2019 (the date of grant), Henrik Co. issues 2,000 shares of restricted shares to its executives. The fair value of these shares is $65,000, and their par value is $10,000. The shares are forfeited if the executives do not complete 3 years of employment with the company. Assuming the service period is three years, how much compensation expense will Henrik Co. record on January 1, 2019?

a. $25,000　b. $-0-　c. $3,333　d. $21,667

8.Mae Jong Corp. issues 800 convertible bonds at the beginning of 2018. The bonds have a four-year term with a stated rate of interest of 6 percent, and are issued at par with a face value of $1,000 per bond (the total proceeds received from issuance of the bonds are $800,000). Interest is payable annually at December 31. Each bond is convertible into 250 ordinary shares with a par value of $1. The market rate of interest on similar non-convertible debt is 9 percent. When Mae Jong records the issuance of these bonds, how much will it credit to Share Premium—Conversion Equity? The following present value factors are available:

PV Ordinary Annuity – 4 periods	PV of 1 – 4 periods
6% 3.46511	6% .79209
9% 3.23972	9% .70843

a. $ -0-　b. $97,187　c. $83,663　d. $77,749

9. Mathis Co. at the end of 2018, its first year of operations, prepared a reconciliation between pretax financial income and taxable income as follows:

Pretax financial income	$ 700,000
Estimated litigation expense	1,350,000
Installment sales	(1,000,000)
Taxable income	$ 1,050,000

The estimated litigation expense of $1,350,000 will be deductible in 2020 when it is expected to be paid. The gross profit from the installment sales will be realized in the amount of $500,000 in each of the next two

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years. The estimated liability for litigation is classified as non-current and the installment accounts receivable are classified as $500,000 current and $500,000 noncurrent. The income tax rate is 45% for all years. The net deferred tax asset/liability to be recognized is

a. $157,500 b. $150,000 c. $375,000 d. $225,500

10.Jacob, Inc., changed from the average cost to the FIFO cost flow assumption in 2019. The increase in the prior year`s income before taxes is $1,530,000. The tax rate is 25%. Jacob's 2019 journal entry to record the change in accounting policy will include.

a. a debit to Retained Earnings for $1,530,000
b. a credit to Retained Earnings for $1,530,000
c. a debit to Inventory for $1,147,500
d. a credit to Deferred Tax Liability for $382,500

11.Armstrong Inc. is a calendar-year corporation. Its financial statements for the years ended 12/31/18 and 12/31/19 contained the following errors:

	2018	2019
Ending inventory	$13,000 overstatement	$21,000 understatement
Depreciation expense	8,000 understatement	11,000 overstatement

Assume that the 2018 errors were not corrected and that no errors occurred in 2017. By what amount will 2018 income before income taxes be overstated or understated?

a. $21,000 overstatement b. $9,000 overstatement
c. $21,000 understatement d. $9,000 understatement

12. Which of the following is not a characteristic of a liability?

a. It represents a probable, future sacrifice of economic benefits.
b. It must be payable in cash.
c. It arises from present obligations to other entities.
d. It results from past transactions or events.

13.A lessee with a finance lease containing a bargain purchase option should depreciate the leased asset over the

a. asset's remaining economic life.
b. term of the lease.
c. life of the asset or the term of the lease, whichever is shorter.
d. life of the asset or the term of the lease, whichever is longer

14.Palmer Co. had a deferred tax liability balance due to a temporary difference at the beginning of 2018 related to $600,000 of excess depreciation. In December of 2018, a new income tax act is signed into law that lowers the corporate rate from 40% to 30%, effective January 1, 2020. If taxable amounts related to the temporary difference are scheduled to be reversed by $300,000 for both 2019 and 2020, Palmer should increase or decrease deferred tax liability by what amount?

a. Decrease by $60,000 b. Decrease by $30,000
c. Increase by $30,000 d. Increase by $60,000

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15.Monroe Construction Company uses the percentage-of-completion method of accounting. In 2018, Monroe began work on a contract it had received which provided for a contract price of $48,500,000. Other details follow:

	2018
Costs incurred during the year	$15,000,000
Estimated costs to complete as of December 31	10,000,000
Billings during the year	16,500,000
Collections during the year	9,500,000

What should be the gross profit recognized in 2018?

a. $ 1,600,000 b. $19,500,000 c. $ 14,100,000 d. $ 7,300,000

二、Davis Company began operations on January 1, 2017 and determined its ending inventory at cost or LCNRV at December 31, 2017, December 31, 2018 and December 31, 2019. Davis Company uses the moving-average cost flow. The following information relates to Davis Company's operations during the 2019.

Date	Transaction	Quantity	Unit Cost/Price
1/1/2019	Beginning inventory	1,000	$12
2/4/2019	Purchase	2,000	18
2/20/2019	Sale	2,500	30
4/20/2019	Purchase	3,000	23
11/4/2019	Sale	2,200	33

Additional information

1. A physical count indicates that the ending inventory is 1,050 units.
2. Assuming inventory is recorded at LCNRV and a perpetual inventory system using the loss method.
3. The Allowance to Reduce Inventory to Net Realizable Value account has credit balance of $4,000 on December 31, 2017.
4. Net Realizable Value: 2018/12/31 $7,000; 2019/12/31 $20,500.

Instructions(15%)

(a) Prepare journal entries required at December 31, 2019.

(b) Compute the net income for 2019.

三、Presented below is information related to Carpenter Inc.

	Cost	Retail
Inventory, 12/31/2018	$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)	–	2,450,000
Sales returns	–	165,000
Sales discounts		33,000
Markups	–	180,000
Markup cancellations	–	60,000
Markdowns	–	65,000
Markdown cancellations		30,000
Freight-in	63,000	–
Employee discounts granted	–	37,000
Loss from breakage (normal)	–	11,000

Instructions(10%)

Assuming that carpenter Inc. uses the conventional retail inventory method, compute the cost of its ending inventory and gross profit at December 31, 2019.

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四、Howard Corp. sponsors a defined-benefit pension plan for its employees. On January 1, 2019, the following balances related to this plan.

Plan assets (fair value)	$450,000
Defined benefit obligation	600,000
Pension asset/liability	10,000 Cr.

As a result of the operation of the plan during 2019, the actuary provided the following additional data at December 31, 2019.

Service cost for 2019	$ 75,000
Actual return on plan assets in 2019	45,000
Past service cost, effective Jan. 1	120,000
Contributions in 2019	115,000
Benefits paid retirees in 2019	70,000
Discount rate	8%
Average remaining service life of active employees 10 years	

Instructions(7%) Prepare the journal entry for pension expense.

五、The following information was taken from the books and records of Ludwick, Inc.:

1. Net income $ 280,000
2. Capital structure:
   a. Convertible 6% bonds. Each of the 300, $1,000 bonds is convertible into 50 ordinary shares at the present date and for the next 10 years. 300,000
   b. $10 par, 200,000 ordinary shares issued and outstanding during the entire year. 2,000,000
   c. Share warrants outstanding to buy 16,000 ordinary shares at $20 per share.
3. Other information:
   a. Bonds converted during the year None
   b. Income tax rate 30%
   c. Convertible debt was outstanding the entire year
   d. Average market price per share of common stock during the year $32
   e. Warrants were outstanding the entire year
   f. Warrants exercised during the year None

Instructions (5%) Compute diluted earnings per share. (Round off to the 2nd decimal place.)

六、Harlan Mining Co. has recently decided to go public and has hired you as an independent CPA. One statement that the enterprise is anxious to have prepared is a statement of cash flows. Financial statements of Harlan Mining Co. for 2019 and 2018 are provided below.

STATEMENT OF FINANCIAL POSITION

		12/31/2019		12/31/2018
Property, plant and equipment	$304,000		$480,000	
Less accumulated depreciation	(160,000)	144,000	(152,000)	328,000
Inventory		192,000		240,000
Accounts receivable		180,000		108,000
Cash		204,000		96,000
		$720,000		$772,000
Share capital-ordinary		$108,000		$108,000
Retained earnings		179,000		120,000
Bonds payable		169,000		300,000
Income taxes payable		176,000		196,000
Accounts payable		88,000		48,000
		$720,000		$772,000

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INCOME STATEMENT
For the Year Ended December 31, 2019

Sales		$4,200,000
Cost of sales		3,576,000
Gross profit		624,000
Selling expenses	$300,000	
Administrative expenses	96,000	396,000
Income from operations		228,000
Interest expense		36,000
Income before taxes		192,000
Income taxes		48,000
Net income		$ 144,000

The following additional data were provided:

1. Dividends for the year 2019 were $85,000.
2. During the year, equipment was sold for $120,000. This equipment cost $176,000 originally and had a book value of $144,000 at the time of sale. The loss on sale was incorrectly charged to cost of sales.
3. All depreciation expense is in the selling expense category.

Instructions (12%)

Compute the following items (a) The net cash provided by operating activities. (b) Under the direct method, the cash received from customers. (c) Under the direct method, the total taxes paid. (d) The net cash provided (used) by financing activities.

七、Wade Corp. has 150,000 ordinary shares of outstanding. In 2018, the company reports income before income tax of $1,210,000. Additional transactions not considered in the $1,210,000 are as follows.

1. In 2018, Wade Corp. sold equipment for $60,000. The machine had originally cost $130,000 and had accumulated depreciation of $50,000.
2. The company discontinued operations of one of its subsidiaries during the current year at a loss of $270,000 before taxes. Assume that this transaction meets the criteria for discontinued operations. The loss from operations of the discontinued subsidiary was $190,000 before taxes; the loss from disposal of the subsidiary was $80,000 before taxes.
3. Dividends of $100,000 were declared and paid.
4. An internal audit discovered that amortization of intangible assets was understated by $35,000 (net of tax) in a prior period. The amount was charged against retained earnings.
5. Goods held on consignment from Kishi Company were included in Wade Corp.'s December 31, 2018, physical count of inventory at $13,000.
6. The company had a gain of $125,000 on the condemnation of much of its property.
7. Goods were in transit from a vendor to Wade Corp. on December 31, 2018. The invoice cost was $65,000, and the goods were shipped f.o.b. shipping point on December 30, 2018.
8. The company signed a long-term, non-cancelable purchase commitment with its largest supplier of key raw materials on November 30,2018, at an agreed price of $700,000. At December 31, 2018, the raw material had declined in price to $630,000.

Instructions(13%)

Analyze the above information and prepare an income statement for the year 2018, starting with income before income tax. Compute earnings per share as it should be shown on the face of the income statement. (Assume a total effective tax rate of 20% on all items.) (Round off to the 2nd decimal place.)

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八、Assume that on January 1, 2019, Humphrey's Restaurants NV sells a computer system to Liquidity Finance for $680,000 and immediately leases back the computer system. The relevant information is as follows.

1. The computer was carried on Humphrey's books at value of $600,000.
2. The term of the non-cancelable lease is 3 years; title will not transfer to Humphrey's, and the expected residual value at the end of the lease is $450,000, all of which is unguaranteed.
3. The lease agreement requires equal rental payments of $115,970 at the beginning of each year.
4. The incremental borrowing rate for Humphrey's is 8%. Humphrey's is aware that Liquidity Finance set the annual rental to ensure a rate of return 8%.
5. The computer has a fair value of $680,000 on January 1, 2019, and an estimated economic life of 10 year.
6. PV Annuity Due- 8%, 3periods=2.783268

Instructions(8%) Prepare the journal entries for Humphrey for 2019 the reflect the sale and leaseback agreement.(計算過程中，相關比率之小數位數，請計算至小數點後第 7 位，而分錄的會計科目之金額則以整數位表達)