

東吳大學 112 學年度暑假轉學生招生考試試題

第 1 頁，共 7 頁

系級	會計學系三年級	考試時間	100 分鐘
科目	會計學 (二)	本科總分	100 分

※一律作答於答案卷上(題上作答不予計分)；並務必標明題號，依序作答。
 ※英文題請用英文作答，中文題請用中文作答，否則不予計分。

一、(20%) Multiple Choice: Select the most appropriate answer from those presented.

1. Which of the following is not a component of the faithful representation?

(A) Free from error	(B) Neutrality
(C) Predictive value	(D) Completeness

2. Assume that on August 31, 20x1, the ABC Corporation discounts (without recourse) a customer's note at its bank at a 18% discount rate. The note was received from the customer on August 1, is for 90 days has a face value of \$600,000, and carries an interest rate of 12%. The customer pays the note on the October 30, 20x1 maturity date. What amount of cash could be received on August 31, 20x1? (assuming a 360-day business year for simplicity)

(A) \$599,460	(B) \$600,000	(C) \$608,730	(D) \$618,000
---------------	---------------	---------------	---------------

3. BBC Company signed a long-term, non-cancelable purchase commitment with a major supplier to purchase raw materials in 2023 at a cost of \$100,000. At December 31, 2022, the raw materials to be purchased have a fair value of \$95,000. Which of the following journal entry at December 31 is correct?

(A) Purchase Commitment Asset	5,000	
Unrealized Holding Gain or Loss-Income		5,000
(B) Unrealized Holding Gain or Loss-Income	5,000	
Purchase Commitment Liability		5,000
(C) Unrealized Holding Gain or Loss-Income	5,000	
Purchase Returns		5,000
(D) Cost of Goods Sold	5,000	
Inventory		5,000

4. CBC Mining purchased land on January 1, 2023, at a price of \$1,250,000 (subject to 2% cash discount, which was not taken). It estimated that a total of 60,000 tons of mineral was available for mining within 5 years. After it has removed all the mineral resources, the company will be required to restore the property to its previous state because of strict environmental protection laws. It is estimated that it will cost \$70,000 to fill and clear land at the end of this restoration. It incurred developmental costs of \$200,000 before it was able to do any mining. Calculate the total cost of mineral. (Assume an effective-interest rate of 6%)

(A) \$1,277,308	(B) \$1,477,308	(C) \$1,302,308	(D) \$1,520,000
-----------------	-----------------	-----------------	-----------------

東吳大學 112 學年度暑假轉學生招生考試試題

第 2 頁，共 7 頁

系級	會計學系三年級	考試時間	100 分鐘
科目	會計學 (二)	本科總分	100 分

5. DBC Co. provides a warranty with all its products it sells. It estimates that it will sell 120,000 units of its product for the year ended December 31, 2023, and that its total revenue for the product will be \$10,000,000. It also estimates that 60% of the product will have no defects, 30% will have major defects, and 10% will have minor defects. The cost of a minor defect is estimated to be \$5 for each product repaired, and the cost for a major defect cost is \$15. The company also estimates that the minimum amount of warranty expense will be \$250,000 and the maximum will be \$1,200,000. Determine the best estimate amount to record as provisions, if any.

- (A) \$250,000 (B) \$600,000 (C) \$725,000 (D) \$1,200,000

6. EBC Company has a \$500,000 short-term obligation due on March 1, 2019. The CFO discussed with its lender whether the payment could be extended to March 1, 2021, provided EBC Company agrees to provide additional collateral. An agreement is reached on February 28, 2019, to change the loan terms to extend the obligation's maturity to March 1, 2021. The financial statements are authorized for issuance on April 1, 2019. How this debt obligation should be presented on the December 31, 2018, statement of financial position?

- (A) Current liability \$500,000.
 (B) Non-current liability \$500,000.
 (C) Current liability \$250,000 and Non-current liability \$250,000.
 (D) All of these answers are incorrect.

7. On August 1, Hyde Ltd. exchanged productive assets with Wiggins Ltd. Hyde's asset is referred to below as Asset A, and Wiggins' is referred to as Asset B. The following facts pertain to these assets.

	Asset A	Asset B
Original cost	\$96,000	\$110,000
Accumulated depreciation (to date of exchange)	40,000	47,000
Fair value at date of exchange	60,000	75,000
Cash paid by Hyde Ltd.	15,000	
Cash received by Wiggins Ltd.		15,000

Assuming that the exchange of Assets A and B has commercial substance, record the exchange for Hyde Ltd. Which of the following statements is not correct?

- (A) Debit Asset B for \$75,000
 (B) Debit Asset B for \$71,000
 (C) Credit Cash for \$15,000
 (D) Credit Gain on Disposal of Asset A for \$4,000

東吳大學 112 學年度暑假轉學生招生考試試題

第 3 頁，共 7 頁

系級	會計學系三年級	考試時間	100 分鐘
科目	會計學 (二)	本科總分	100 分

8. How should cumulative preference dividends in arrears be shown in a corporation's statement of financial position?
- (A) Note disclosure
 - (B) Increase in shareholders' equity
 - (C) Increase in current liabilities
 - (D) Increase in current liabilities for the amount expected to be declared within the year or operating cycle, and increase in non-current liabilities for the balance

9. The following facts relate to FBC plc.

- (1) Deferred tax liability, January 1, 2022, \$40,000.
- (2) Deferred tax asset, January 1, 2022, \$0.
- (3) Taxable income for 2022, \$115,000.
- (4) Pretax financial income for 2022, \$200,000.
- (5) Cumulative temporary difference at December 31, 2022, giving rise to future taxable amounts, \$220,000.
- (6) Cumulative temporary difference at December 31, 2022, giving rise to future deductible amounts, \$35,000.
- (7) Tax rate for all years, 40%.
- (8) The company is expected to operate profitably in the future.

Compute income taxes payable for 2022.

- (A) \$6,000 (B) \$40,000 (C) \$46,000 (D) \$80,000

10. According to question 9, what amount of deferred tax liability at the end of 2022 ?

- (A) \$14,000 (B) \$40,000 (C) \$48,000 (D) \$88,000

二、(10%) On December 31, 2019, Sterling Bank enters into a debt restructuring agreement with Barkley plc, which is now experiencing financial trouble. The bank agrees to restructure a 12%, issued at par, \$3,000,000 note receivable by the following modifications:

- (1) Reducing the principal obligation from \$3,000,000 to \$2,400,000.
- (2) Extending the maturity date from December 31, 2019, to January 1, 2023.
- (3) Reducing the interest rate from 12% to 10%. Barkley's market rate of interest is 15%.

Barkley pays interest at the end of each year. On January 1, 2023, Barkley pays \$2,400,000 in cash to Sterling Bank.

Instructions:

- a. Prepare the journal entries to record the loan modification for Barkley.
- b. Prepare the interest payment entry for Barkley on December 31, 2020.
- c. Assume Sterling Bank reduced the principal to \$2,800,000 rather than \$2,400,000, and reducing the interest rate from 12% to 11%. On January 1, 2023, Barkley pays \$2,800,000 in cash to Sterling Bank for the principal. Repeat the journal entries to above (a) and (b).

東吳大學 112 學年度暑假轉學生招生考試試題

第 4 頁，共 7 頁

系級	會計學系三年級	考試時間	100 分鐘
科目	會計學 (二)	本科總分	100 分

三、(10%) Presented below is information related to GBC Inc.

	Cost	Retail
Inventory, 1/1/22	\$250,000	\$ 390,000
Purchases	914,500	1,460,000
Purchase returns	60,000	80,000
Purchase discounts	18,000	—
Gross sales (after employee discounts)	—	1,410,000
Sales returns	—	97,500
Sales discounts	—	20,000
Markups	—	120,000
Markup cancellations	—	40,000
Markdowns	—	45,000
Markdown cancellations	—	20,000
Freight-in	42,000	—
Freight-out	—	38,000
Employee discounts granted	—	8,000
Loss from breakage (normal)	2,500	4,500
Loss from breakage (abnormal)	1,800	3,000

Instructions:

Compute the cost of GBC's ending inventory at December 31, 2022, assuming that:

- a. Conventional retail inventory method.
- b. Average retail inventory method (cost method).

四、(14%) HBC Group uses revaluation accounting for a class of equipment it uses in its golf club refurbishing business. The equipment was purchased on January 2, 2020, for \$500,000; it has a 10-year useful life with no residual value. HBC has the following information related to the equipment. (Assume that estimated useful life and residual value does not change during the periods presented below.)

Date	Fair Value
January 2, 2020	\$500,000
December 31, 2021	468,000
December 31, 2023	281,000

Instructions:

- a. Prepare the entries for any revaluation adjustments at December 31, 2021.
- b. Determine the amounts to be reported by HBC's financial statement at December 31, 2022, as Equipment, Accumulated Depreciation, Depreciation Expense, and Accumulated Other Comprehensive Income.
- c. Prepare the entry for any revaluation adjustments at December 31, 2023.
- d. Prepare the entries for the sale of the equipment by HBC on January 2, 2024, for \$270,000.

東吳大學 112 學年度暑假轉學生招生考試試題

第 5 頁，共 7 頁

系級	會計學系三年級	考試時間	100 分鐘
科目	會計學 (二)	本科總分	100 分

五、(12%) IBC Group sponsors a defined benefit pension plan for its employees. On December 31, 2021, the following balances related to this plan.

Plan assets (fair value)	\$540,000
Defined benefit obligation	680,000
Pension asset/liability	140,000 Cr.
OCI—Loss	78,000

The discount (interest) rate applicable to the plan is 7%. On January 1, 2022, the company amends its pension agreement so that past service costs of \$20,000 are created. Other data related to the pension plan are as follows.

Service cost for 2022	\$ 90,000
Actual return on plan assets in 2022	54,000
Contributions in 2022	130,000
Benefits paid retirees in 2022	82,000
Increase in defined benefit obligation due to changes in actuarial assumptions	27,000

Instructions:

- a. Prepare any journal entries related to the pension plan that would be needed at December 31, 2022.
- b. Determine the amount of plan assets and defined benefit obligation on December 31, 2022.
- c. Indicate the pension-related amounts reported in the financial statements for 2022.

六、(12%) On January 1, 2022, Bensen Company leased equipment to Flynn Corporation. The following information pertains to this lease.

1. The term of the non-cancelable lease is 6 years. At the end of the lease term, Flynn has the option to purchase the equipment for \$1,000, while the exercise of that option is reasonably certain.
2. Equal rental payments are due on January 1 of each year, beginning in 2022.
3. The fair value of the equipment on January 1, 2022, is \$150,000, and its cost is \$120,000.
4. The equipment has an economic life of 8 years. Flynn depreciates all of its equipment on a straight-line basis.
5. At lease commencement, assuming initial direct costs of \$2,000 are incurred by Flynn to negotiate the lease.
6. Bensen set the annual rental to ensure a 5% rate of return. Flynn's incremental borrowing rate is 6%, and the implicit rate of the lessor is unknown.
7. Collectibility of lease payments by the lessor is probable.

Instructions: (Both the lessor and the lessee's accounting periods end on December 31.)

- a. Calculate the amount of the annual rental payment.
- b. Prepare all the necessary journal entries for Flynn for 2022.

東吳大學 112 學年度暑假轉學生招生考試試題

第 6 頁，共 7 頁

系級	會計學系三年級	考試時間	100 分鐘
科目	會計學 (二)	本科總分	100 分

七、(10%) Amy Dyken, controller at Fitzgerald Pharmaceutical Industries, a public company, is currently preparing the calculation for basic and diluted earnings per share and the related disclosure for Fitzgerald's financial statements. Selected financial information for the fiscal year ended June 30, 2022, is shown below.

Fitzgerald Pharmaceutical Industries Selected Statement of Financial Position Information June 30, 2022	
Equity	
Share capital—preference, 6% convertible, cumulative, €50 par value, 100,000 shares authorized, 25,000 shares issued and outstanding	€ 1,250,000
Share capital—ordinary, €1 par, 10,000,000 shares authorized, 1,000,000 shares issued and outstanding	1,000,000
Share premium—ordinary (includes any amounts for options and conversions)	4,000,000
Retained earnings	<u>6,000,000</u>
Total equity	<u>€12,250,000</u>
Long-term debt	
Notes payable, 10%	€ 1,000,000
Convertible bonds payable	5,000,000
10% bonds payable	<u>6,000,000</u>
Total long-term debt	<u>€12,000,000</u>

The following transactions have also occurred at Fitzgerald.

- (1) Options were granted on July 1, 2021, to purchase 200,000 shares at €15 per share. Although no options were exercised during fiscal year 2022, the average price per ordinary share during fiscal year 2022 was €20 per share.
- (2) Each bond was issued at face value. The convertible bonds will convert into ordinary shares at 50 shares per €1,000 bond. The conversion is exercisable after 5 years and the bonds were issued in 2020. The interest on the liability component of the convertible bonds payable for the fiscal year ending June 30, 2022, was €450,000.
- (3) The preference shares were issued in 2020. Each share is convertible into 2 shares of ordinary shares.
- (4) There are no preference dividends in arrears; however, preference dividends were not declared in fiscal year 2022.
- (5) There were no changes during 2022 fiscal year in the number of ordinary shares, preference shares, or convertible bonds outstanding.
- (6) Net income for fiscal year 2022 was €1,500,000, and the average income tax rate is 40%.

Instructions:

For the fiscal year ended June 30, 2022, calculate the following for Fitzgerald Pharmaceutical Industries.

- a. Basic earnings per share.
- b. Diluted earnings per share.

東吳大學 112 學年度暑假轉學生招生考試試題

第 7 頁，共 7 頁

系級	會計學系三年級	考試時間	100 分鐘
科目	會計學 (二)	本科總分	100 分

八、(12%) Andrews AG, a greeting card company, had the following statements prepared as of December 31, 2022.

Andrews AG		
Comparative Statement of Financial Position		
As of December 31, 2022 and 2021		
	12/31/22	12/31/21
Equipment	€308,000	€260,000
Accum. depreciation—equipment	(70,000)	(50,000)
Copyrights	92,000	100,000
Inventory	80,000	120,000
Prepaid rent	10,000	8,000
Accounts receivable	124,000	98,000
FVTPL financial asset-equity	70,000	36,000
Cash	12,000	18,000
Total assets	<u>€626,000</u>	<u>€590,000</u>
Share capital—ordinary, €10 par	€200,000	€200,000
Share premium—ordinary	60,000	60,000
Retained earnings	114,000	72,000
Long-term loans payable	120,000	134,000
Accounts payable	92,000	84,000
Income taxes payable	8,000	12,000
Salaries and wages payable	16,000	8,000
Short-term loans payable	16,000	20,000
Total equity and liabilities	<u>€626,000</u>	<u>€590,000</u>

Andrews AG		
Income Statement		
For the Year Ending December 31, 2022		
Sales revenue		€676,300
Cost of goods sold		<u>350,000</u>
Gross margin		326,300
Operating expenses		<u>240,000</u>
Operating income		86,300
Interest expense	€22,800	
Gain on sale of equipment	<u>4,000</u>	<u>18,800</u>
Income before tax		67,500
Income tax expense		<u>13,500</u>
Net income		<u>€ 54,000</u>

Additional information:

1. Dividends in the amount of €12,000 were declared and paid during 2022.
2. Depreciation expense and amortization expense are included in operating expenses.
3. No gain or loss on FVTPL financial asset-equity have occurred during the year.
4. Equipment that had a cost of €60,000 and was 70% depreciated was sold during 2022.

Instructions:

Prepare a schedule computing the net cash flow from operating activities that would be shown on a statement of cash flows using the direct method.