※題目共二大題 20小題,每小題5分,請按順序作答

一.簡答題(每小題5分,請扼要、按順序作答,本大題共30分)

(1) Define internal control

(2) What is a subsequent event? Why should companies disclose important subsequent events in their financial statements?

(3) IBM Corporation is recognized as a world leader in the manufacture and sale of computers. The company's success has created vast amounts of business goodwill. Would you expect to see this goodwill reported on IBM's financial statements? Why or why not?

(4) A friend of yours receives a stock dividend on an investment. He believes stock dividends are the same as cash dividends. Explain why this is not true.

(5) Why are intercompany items eliminated from consolidated financial statements. Name two intercompany items that are eliminated.

(6) Company A is a chain of grocery stores, and Company B is a computer manufacturer. Which company is likely to have the higher (a) current ratio, (b) inventory turnover, and (c) rate of return on sales? Give your reasons.

二.計算或分錄(每小題5分,請列出計算式、按順序作答,本大題共70分)

1. Kresley Co. has provided the following 1994 current account balances for the preparation of the annual statement of cash flows:

*Accounts receivable	$10,000	increase
*Allowance for uncollectible accounts	$6,000	decrease
*Prepaid rent expense	2,000	increase
*Accounts payable	1,000	decrease
*Depreciation expense	2,000	
*Bad debt	5,000	
*Amortization of bond premium	1,000	

Kresley's 1994 net income is $20,000. Compute the amount that shows the net cash flow from operating activities.

2. On January 1, 1993, Poe Company adopted the dollar-value LIFO inventory method. Poe's entire inventory constitutes a single pool. Inventory data for 1993 and 1994 are as follows:

Date	Inventory at current year cost	Inventory at base year cost	Relevant price index
1/1/93	$150,000	$150,000	1.00
12/31/93	220,000	?	1.10
12/31/94	276,000	?	1.20

Compute the Poe's LIFO inventory value at December 31, 1994.

3. On December 31, 1994, Vey Co. traded equipment with an original cost of $100,000 and accumulated depreciation of $40,000 for similar productive equipment with a fair value of $60,000. In addition, Vey received $30,000 cash in connection with this exchange. What should be Vey's carrying amount for the equipment received at December 31, 1994?

4. On February 1, 1991, Davis Corp. issued 12%, $1,000,000 face amount, 10-year bonds for $1,117,000. Davis reacquired all of these bonds at 102, plus accrued interest, on May 1, 1994 and retired them. Unamortized bond premium on that date was $78,000. Before income taxes, What was Davis' gain on the bond retirement?

5. Peters Corp.'s capital structure was as follows:

	December 31, 1994	December 31, 1993
Outstanding shares of stock:		
Common..........	110,000	110,000
Convertible preferred	10,000	10,000
8% convertible bonds........	$1,000,000	$1,000,000

During 1994, Peters paid dividends of $3.00 per share on its preferred stock. The preferred shares are convertible into 20,000 shares of common stock and are considered common stock equivalents. The 8% bonds are convertible into 30,000 shares of common stock but are not considered common stock equivalents. Net income for 1994 was $850,000. Assume that the income tax rate is 30%. Compute the primary earnings per share for 1994.

6. The follow data relate to the Goodrock Construction Company's long-term construction projects for the year 1994:

	Completed Projects	Incomplete Projects
Contract price	$18,000	$96,000
Cost incurred prior to 1994....	3,700	16,000
Cost incurred in 1994...........	11,100	32,000
Estimated cost to complete(at 12/31/94	0	32,000

General and administrative expenses incurred in 1994 amounted to $2,000, none of which is to be considered a construction cost. Compute net income for 1994 under the percentage-of-completion method.

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7. On December 31, 1993, the end of its Accounting year, Cline Company prepared an adjusting entry to record $13,334 of accrued interest revenue earned on 12% bonds with a $300,000 face value that were purchased on August 31, 1993, to yield 14%. The bonds are dated August 31, 1993, and call for semi-annual interest payments on August 31 and February 28. Prepare the entry on February 28, 1994, to record the interest revenue, the discount amortization, and the collection of interest.

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8. Martin Company has the following cost items:

*Cost of land and old buildings purchased	$450,000
*Legal fees incident to purchase	6,000
*Fee for title search	750
*Cost of demolishing old buildings on land	12,000
*Cost of insurance during construction of new building	3,000
*Payment to contractor on completion of new building	675,000
*Architect's fees for design of new building	30,000
*City assessment for sewers and sidewalks (considered permanent)	10,000
*Cost of landscaping (considered permanent)	6,000
*Cost of driveways and parking lots	37,500
*Proceeds received upon sale of salvaged materials from old buildings	3,000

Compute the amount that shows separately the cost of land and buildings.

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9. Shorter Company sells its products on an installment sales basis. Data for 1993 and 1994 follow:

	1993	1994
Installment sales	$200,000	$240,000
Cost of goods sold on installment sales	140,000	180,000
Other expenses	30,000	40,000
Cash collected from 1993 sales	120,000	60,000
Cash collected from 1994 sales		160,000

Compute the net income for 1994 assuming use of the installment method of recognizing gross margin.

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10. A company processes raw material into three products, designated internally as F1, F2, and F3. Each ton of raw material produces five units of F1, Two units of F2, and three units of F3. Joint processing costs to the split-off point are $15/ton. Further processing results in the following per-unit figures:

	F1	F2	F3
Additional processing costs per unit	$28	$30	$25
Selling price per unit	30	35	35

If joint costs are allocated according to the net realizable value of finished product, what proportion of joint costs should be allocated to product F1?

11. Les Cartes, Inc., had net income for 1994 of $10,600,000 and earnings per share on common stock of $5.00. included in the net income was $1,500,000 of bond interest expense related to its long-term debt. The income tax rate for 1994 was 30%. Dividends on preferred stock were $2,000,000. The Dividend-payout ratio on common stock was 40%. What were the dividends on common stock in 1994?

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12. Able Company, which uses the retail LIFO method to determine inventory cost, has provided the following information for 1994:

	Cost	Retail
Inventory, 1/1/94	$ 68,400	$120,000
Net purchases	378,000	582,000
Net markups		48,000
Net markdowns		30,000
Net sales		540,000

Assuming stable prices (no change in the price index during 1994), what is the cost of Able's inventory at December 31, 1994?

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13. On January 1, 1991, Tamale Co., purchased a machine (its only depreciable asset) for $600,000. The machine has a five-year life, and no salvage value. Sum-of-the-years'-digits depreciation has been used for financial statement reporting and the elective straight-line method for income tax reporting. Effective Jan. 1, 1994, for financial statement reporting, Tamale decided to change to the straight-line method for depreciation of the machine. Assume that Tamale can justify the change. Tamale's income before depreciation, before income taxes, and before the cumulative effect of the accounting change(if any), for the year ended Dec. 31, 1994, is $500,000. The income tax rate for 1994, as well as for the years 1991-1993, is 30%. What amount should Tamale report as net income for the year ended December 31, 1994?

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14. The Balance in the retained earnings account of Timber Corporation was $700,000 at December 31, 1993. During 1994, the company had the following transactions:
   1). Acquired 10,000 shares of treasury stock at $70 per share. The stock had a par value of $50 and had originally been issued for $65 per share. There had been no previous treasury stock transaction
   2). Net income of $400,000 was earned in 1994.
   3). Sold the 10,000 shares of treasury stock at $80 per share.

Assuming that the company uses the par value method of accounting for treasury stock, what is the balance in retained earnings at December 31, 1994?
