

(一) Multiple Choice (75%)

1. The Financial Accounting Standards Board employs a "due process" system which
 - a. is an efficient system for collecting dues from members.
 - b. enables interested parties to express their views on issues under consideration.
 - c. identifies the accounting issues that are the most important.
 - d. requires that all accountants must receive a copy of financial standards.
2. Accounting information is considered to be relevant when it
 - a. can be depended on to represent the economic conditions and events that it is intended to represent.
 - b. is capable of making a difference in a decision.
 - c. is understandable by reasonably informed users of accounting information.
 - d. is verifiable and neutral.
3. Generally, revenue from sales should be recognized at a point when
 - a. management decides it is appropriate to do so.
 - b. the product is available for sale to the ultimate consumer.
 - c. the entire amount receivable has been collected from the customer and there remains no further warranty liability.
 - d. none of these.
4. Treasury stock should be reported as a(n)
 - a. current asset.
 - b. investment.
 - c. other asset.
 - d. reduction of stockholders' equity.
5. Which of the following subsequent events (post-balance sheet events) would require adjustment of the accounts before issuance of the financial statements?
 - a. Loss of plant as a result of fire
 - b. Changes in the quoted market prices of securities held as an investment
 - c. Loss on an uncollectible account receivable resulting from a customer's major flood loss
 - d. Loss on a lawsuit, the outcome of which was deemed uncertain at year end
6. In preparing its bank reconciliation for the month of April 1998, Franklin, Inc. has available the following information.

Balance per bank statement, 4/30/98	\$39,140
NSF check returned with 4/30/98 bank statement	450
Deposits in transit, 4/30/98	5,000
Outstanding checks, 4/30/98	5,200
Bank service charges for April	20

What should be the correct balance of cash at April 30, 1998?

- a. \$39,370
- b. \$38,940
- c. \$38,490
- d. \$38,470

(背面仍有題目,請繼續作答)

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Bibby Co. is making a four-column bank reconciliation at June 30 from the following data. The amounts per bank statement were: Balance May 31, \$6,500; June Receipts, \$13,000; June Disbursements, \$11,000. The amounts per books were: Balance May 31, \$7,635; June Receipts, \$11,548; June Disbursements, \$11,235; Balance June 30, \$7,948.

	May 31	June 30
Deposits in transit		
Outstanding checks	\$1,200	\$1,500
The bank overlooked a check for \$75 when recording a deposit on June 10.	670	840
Note collected by bank, recorded after receiving the bank statement		
Service charge, recorded after receiving the bank statement		1,800
NSF checks recorded after receiving the bank statement	45	60
Bibby recorded a \$374 check received from a customer in June as \$347.	560	480

7. The corrected balance per bank on June 30 is
- \$9,085.
 - \$9,160.
 - \$9,235.
 - \$10,075.

Dexter, Inc. is a calendar-year corporation. Its financial statements for the years 1999 and 1998 contained errors as follows:

	1999	1998
Ending inventory	\$3,000 overstated	\$8,000 overstated
Depreciation expense	\$2,000 understated	\$6,000 overstated

8. Assume that the proper correcting entries were made at December 31, 1998. By how much will 1999 income before taxes be overstated or understated?
- \$1,000 understated
 - \$1,000 overstated
 - \$2,000 overstated
 - \$5,000 overstated

Jeter Co. has the following data related to an item of inventory:

Inventory, March 1	100 units @ \$4.20
Purchase, March 7	350 units @ \$4.40
Purchase, March 16	70 units @ \$4.50
Inventory, March 31	130 units

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9. The value assigned to ending inventory if Jeter uses LIFO is
- a. \$579.
 - b. \$552.
 - c. \$546.
 - d. \$585.
10. The inventory account of Matson Company at December 31, 1998, included the following items:

	Inventory Amount
Merchandise out on consignment at sales price (including markup of 40% on selling price)	\$15,000
Goods purchased, in transit (shipped f.o.b. shipping point)	12,000
Goods held on consignment by Matson	13,000
Goods out on approval (sales price \$7,600, cost \$6,400)	7,600

Based on the above information, the inventory account at December 31, 1998, should be reduced by

- a. \$20,200.
 - b. \$22,600.
 - c. \$32,200.
 - d. \$32,000.
11. Elkins Sales Company uses the retail inventory method to value its merchandise inventory. The following information is available for the current year:

	Cost	Retail
Beginning inventory	\$320,000	\$ 50,000
Purchases	145,000	200,000
Freight-in	2,500	
Net markups	—	8,500
Net markdowns	—	10,000
Employee discounts	—	1,000
Sales	—	205,000

If the ending inventory is to be valued at the lower of cost or market, what is the cost to retail ratio?

- a. $\$177,500 \div \$250,000$
- b. $\$177,500 \div \$258,500$
- c. $\$175,000 \div \$260,000$
- d. $\$177,500 \div \$248,500$

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12. Which of the following statements is true regarding capitalization of interest?
- Interest cost capitalized in connection with the purchase of land to be used as a building site should be debited to the land account and not to the building account.
 - The amount of interest cost capitalized during the period should not exceed the actual interest cost incurred.
 - When excess borrowed funds not immediately needed for construction are temporarily invested, any interest earned should be offset against interest cost incurred when determining the amount of interest cost to be capitalized.
 - The minimum amount of interest to be capitalized is determined by multiplying a weighted average interest rate by the amount of average accumulated expenditures on qualifying assets during the period.

Two independent companies, Noll Co. and Ripp Co., are in the home building business. Each owns a tract of land held for development, but each would prefer to build on the other's land. They agree to exchange their land. An appraiser was hired, and from her report and the companies' records, the following information was obtained:

	Noll's Land	Ripp's Land
Cost and book value	\$ 64,000	\$40,000
Fair value based upon appraisal	80,000	70,000

The exchange was made, and based on the difference in appraised fair values, Ripp paid \$10,000 to Noll.

13. The new land should be recorded on Noll's books at
- \$56,000.
 - \$64,000.
 - \$70,000.
 - \$80,000.
14. Use of the double-declining balance method
- results in a decreasing charge to depreciation expense.
 - means salvage value is not deducted in computing the depreciation base.
 - means the book value should not be reduced below salvage value.
 - all of these.
15. The owners of Phil's Shoe Store are contemplating selling the business to new interests. The cumulative earnings for the past 5 years amounted to \$600,000 including extraordinary gains of \$20,000. The annual earnings based on an average rate of return on investment for this industry would have been \$92,000. If excess earnings are to be capitalized at 15%, then implied goodwill should be
- \$140,000.
 - \$186,667.
 - \$160,000.
 - \$580,000.

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16. Watts Co. incurred the following costs during 1998:

Modification to the formulation of a chemical product	\$160,000
Trouble-shooting in connection with breakdowns during commercial production	150,000
Design of tools, jigs, molds, and dies involving new technology	200,000
Seasonal or other periodic design changes to existing products	185,000
Laboratory research aimed at discovery of new technology	215,000

In its income statement for the year ended December 31, 1998, Watts should report research and development expense of

- \$575,000.
 - \$725,000.
 - \$415,000.
 - \$335,000.
17. A contingency can be accrued when
- it is certain that funds are available to settle the disputed amount.
 - an asset may have been impaired.
 - the amount of the loss can be reasonably estimated and it is probable that an asset has been impaired or a liability incurred.
 - it is probable that an asset has been impaired or a liability incurred even though the amount of the loss cannot be reasonably estimated.

On January 1, 1998, Adams Co. issued eight-year bonds with a face value of \$200,000 and a stated interest rate of 6%, payable semiannually on June 30 and December 31. The bonds were sold to yield 8%. Table values are:

Present value of 1 for 8 periods at 6%627
Present value of 1 for 8 periods at 8%540
Present value of 1 for 16 periods at 3%623
Present value of 1 for 16 periods at 4%534
Present value of annuity for 8 periods at 6%	6.210
Present value of annuity for 8 periods at 8%	5.747
Present value of annuity for 16 periods at 3%	12.561
Present value of annuity for 16 periods at 4%	11.652

18. The issue price of the bonds is

- \$176,712.
- \$176,964.
- \$177,912.
- \$199,920.

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19. On January 1, 1998, Hampton Co. redeemed its 15-year bonds of \$300,000 par value for 102. They were originally issued on January 1, 1986 at 98 with a maturity date of January 1, 2001. The bond issue costs relating to this transaction were \$18,000. Hampton amortizes discounts, premiums, and bond issue costs using the straight-line method. What amount of extraordinary loss should Hampton recognize on the redemption of these bonds (ignore taxes)?
- \$10,800.
 - \$7,200.
 - \$6,000.
 - \$0.

20. An analysis of stockholders' equity of Nott Corporation as of January 1, 1998, is as follows:

Common stock, par value \$20; authorized 100,000 shares; issued and outstanding 90,000 shares	\$1,800,000
Paid-in capital in excess of par	540,000
Retained earnings	760,000
Total	<u>\$3,100,000</u>

Nott uses the cost method of accounting for treasury stock and during 1998 entered into the following transactions:

- Acquired 1,500 shares of its stock for \$75,000.
- Sold 1,200 treasury shares at \$55 per share.
- Retired the remaining treasury shares.

Assuming no other equity transactions occurred during 1998, what should Nott report at December 31, 1998, as total additional paid-in capital?

- \$535,800
 - \$540,000
 - \$544,200
 - \$547,800
21. On January 1, 1998, Holden Corporation had 110,000 shares of its \$5 par value common stock outstanding. On June 1, the corporation acquired 10,000 shares of stock to be held in the treasury. On December 1, when the market price of the stock was \$8, the corporation declared a 15% stock dividend to be issued to stockholders of record on December 16, 1998. What was the impact of the 15% stock dividend on the balance of the retained earnings account?
- \$75,000 decrease
 - \$120,000 decrease
 - \$132,000 decrease
 - No effect

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22. Presented below is information related to Newlin, Inc.:

	December 31,	
	1999	1998
Common stock	\$ 75,000	\$ 60,000
Preferred stock, 6% cumulative	350,000	350,000
Retained earnings (includes net income for current year	90,000	75,000
Net income for year	45,000	32,000

What is Newlin's rate of return on common stock equity for 1999?

- a. 30%
- b. 16.0%
- c. 15.4%
- d. 13.8%

23. Under the intrinsic value method, compensation expense resulting from an incentive stock option is generally
- a. not recognized because no excess of market price over the option price exists at the date of grant.
 - b. recognized in the period of the grant.
 - c. allocated to the periods benefited by the employee's required service.
 - d. recognized in the period of exercise.

24. On August 1, 1998, Wynn Co. acquired 80, \$1,000, 9% bonds at 97 plus accrued interest. The bonds were dated May 1, 1998, and mature on April 30, 2004, with interest paid each October 31 and April 30. The preferred entry to record the purchase of the bonds on August 1, 1998 is

a. Available-for-Sale Securities	79,400	
Cash		79,400
b. Available-for-Sale Securities	77,600	
Interest Receivable	1,800	
Cash		79,400
c. Available-for-Sale Securities	77,600	
Interest Revenue	1,800	
Cash		79,400
d. Available-for-Sale Securities	80,000	
Interest Revenue	1,800	
Discount on Debt Securities		2,400
Cash		79,400

25. Wintz Co. acquired an 80% interest in Terry Corp. December 31, 1998 for \$420,000. During 1999 Terry had net income of \$200,000 and paid cash dividends of \$50,000. At December 31, 1999 the balance in the investment account should be

- a. \$420,000.
- b. \$580,000.
- c. \$540,000.
- d. \$620,000.

(背面仍有題目,請繼續作答)

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 Kelly, Inc. began work in 1998 on a contract for \$6,300,000. Other data are:

	1998	1999
Costs to date	\$2,700,000	\$4,300,000
Estimated costs to complete	1,800,000	—
Billings to date	2,000,000	6,300,000
Collections to date	1,600,000	5,400,000

26. If Kelly uses the percentage-of-completion method, the gross profit to be recognized in 1998 is
- \$1,080,000.
 - \$1,200,000.
 - \$1,620,000.
 - \$1,800,000.
27. Mack, Inc. uses the accrual method of accounting for financial reporting purposes and appropriately uses the installment method of accounting for income tax purposes. Installment income of \$300,000 will be collected in the following years when the enacted tax rates are:

	Collection of Income	Enacted Tax Rates
1998	\$ 30,000	35%
1999	60,000	30%
2000	90,000	30%
2001	120,000	25%

The installment income is Mack's only temporary difference. What amount should be included in the deferred income tax liability in Mack's December 31, 1998 balance sheet?

- \$75,000.
- \$85,500.
- \$94,500.
- \$105,000.

 Sloan Company, a dealer in machinery and equipment, leased equipment to Grant, Inc., on July 1, 1998. The lease is appropriately accounted for as a sale by Sloan and as a purchase by Grant. The lease is for a 10-year period (the useful life of the asset) expiring June 30, 2008. The first of 10 equal annual payments of \$414,000 was made on July 1, 1998. Sloan had purchased the equipment for \$2,600,000 on January 1, 1998, and established a list selling price of \$3,600,000 on the equipment. Assume that the present value at July 1, 1998, of the rent payments over the lease term discounted at 8% (the appropriate interest rate) was \$3,000,000.

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28. What is the amount of profit on the sale and the amount of interest income that Sloan should record for the year ended December 31, 1998?
- \$0 and \$103,440.
 - \$400,000 and \$103,440.
 - \$400,000 and \$120,000.
 - \$600,000 and \$240,000.
29. Which of the following statements is correct?
- Changes in accounting principle are always handled in the current or prospective period.
 - Prior statements should be restated for changes in accounting estimates.
 - A change from expensing certain marketing costs to capitalizing these costs should be handled as a change in accounting estimate.
 - Correction of an error related to a prior period should be considered as a current adjustment.

The balance in retained earnings at December 31, 1998 was \$360,000 and at December 31, 1999 was \$291,000. Net income for 1999 was \$250,000. A stock dividend was declared and distributed which increased common stock \$100,000 and paid-in capital \$55,000. A cash dividend was declared and paid.

30. The amount of the cash dividend was
- \$124,000.
 - \$164,000.
 - \$221,000.
 - \$319,000.

(二) 89年台灣大哥大申請上櫃案因銷售佣金及專案促銷之廣告費是否應於當期認列引起極大爭議。(10%)

- 就你所知簡述事情發展經過及最後如何解決。
- 請根據會計觀念架構及相關之會計準則，分別從管理當局，會計師，以及證期會之立場申論其會計處理方法。

(三) 爲了因應去年金融監理之特殊情況，財政部擬允許銀行、保險和信託公司當年之股票投資損失，可由董事會自行決定是否由短期投資轉爲長期投資，並得分十年攤提。(15%)

- 就你所知簡述事情發展經過及最後如何解決。
- 請分別就政策層面，經濟層面，及一般公認會計原則等方面評論上述擬議。